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Maximizing Social Security Income

Obscure Rules That You Should Know

American Association of Individual Investors
Puget Sound Chapter

Presentation Overview

Social Security Basics

Rules and Benefits

More Obscure Rules

The Complexities

Optimizing Social Security Benefits

Case Examples

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Personal Claiming Information

- 2,728 rules, thousands of claiming options
- SSA prohibited from giving personal claiming advice
- Few other reliable resources

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Help With Your Questions

96%
Americans Don't Optimize[1]

$139,000+
Lost Per Household[1]

11,200
Retiring Everyday[2]

Approach

Social Security Planning Leads to Organic Opportunities

Common Issues

Calling the SSA multiple times, getting different answers to same question

60 Minutes segment on Social Security overpayments, Nov 2023

What causes these SSA overpayments of potentially hundreds of thousands of dollars?[3]

References

1- CBS/AP (2019). Almost all Americans take Social Security at the wrong time, study says. CBS/AP. Retrieved from https://www.cbsnews.com/news/study-says-retirees-lose-more-than-100k-by-claiming-social-security-at-the-wrong-time/

2- Konish, l. (2024). As baby boomers hit 'peak 65' this year, what the retirement age should be is up for debate. CNBC. Retrieved from https://cnb.cx/3uqXR8M

3- "How Social Security's overpayment mistakes can become your responsibility." 60 MINUTES – NEWSMAKERS. Anderson Cooper. 2023. Retrieved from https://www.cbsnews.com/video/social-security-overpayments-60-minutes-video-2023-11-05/

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How Much Can We Collect?

Alice		Peter 2024 62	2025 63	2026 64	2027 65	2028 66	2029 FRA	2029 67	2030 68	2031 69	2032 70
2036	62	$1,281,412	$1,288,299	$1,297,703	$1,307,177	$1,316,719	$1,396,994	$1,396,994	$1,464,814	$1,526,764	$1,583,013
2037	63	$1,283,364	$1,290,251	$1,299,670	$1,309,157	$1,318,714	$1,399,003	$1,399,003	$1,466,838	$1,528,803	$1,585,067
2038	64	$1,281,778	$1,288,664	$1,298,071	$1,307,547	$1,317,092	$1,397,370	$1,397,370	$1,465,192	$1,527,145	$1,583,398
2039	65	$1,277,699	$1,284,586	$1,293,963	$1,303,409	$1,312,924	$1,393,171	$1,393,171	$1,460,963	$1,522,885	$1,579,106
2040	66	$1,271,157	$1,278,044	$1,287,373	$1,296,771	$1,306,238	$1,386,436	$1,386,436	$1,454,179	$1,516,051	$1,572,223
2041	FRA	$1,262,178	$1,269,065	$1,278,329	$1,287,661	$1,297,061	$1,377,192	$1,377,192	$1,444,867	$1,506,672	$1,562,775
2041	67	$1,262,178	$1,269,065	$1,278,329	$1,287,661	$1,297,061	$1,377,192	$1,377,192	$1,444,867	$1,506,672	$1,562,775
2042	68	$1,244,087	$1,250,973	$1,260,105	$1,269,304	$1,278,570	$1,358,567	$1,358,567	$1,426,106	$1,487,773	$1,543,738
2043	69	$1,226,127	$1,233,013	$1,242,014	$1,251,081	$1,260,214	$1,340,076	$1,340,076	$1,407,480	$1,469,012	$1,524,840
2044	70	$1,208,297	$1,215,183	$1,224,054	$1,232,990	$1,241,991	$1,321,720	$1,321,720	$1,388,990	$1,450,387	$1,506,079

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Social Security Basics

Rules and Benefits

Full Retirement Age, FRA

- Receive Primary Insurance Amount
- Full, unreduced benefit
- No longer subject to the earnings limit
- 6-month retroactive payment
- Voluntary Suspension

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 birthday is January 1st, refer to previous year.

If birthday is on the 1st, assume born the prior month.

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Qualifying for Benefits

Eligibility

- 40 Credits, Quarters of Coverage, QC
- Only 4 per year, 2024 credit = $1,730
- Employee and employer FICA payroll tax contributions
- 2024 maximum taxable earnings = $168,600
- Wage index factor adjusts past earnings to age 60 year

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Primary Insurance Amount, PIA

35 Highest 35 Years Indexed Earnings

AIME Average Indexed Monthly Earnings

PIA Primary Insurance Amount

$3,150,000 Sum Indexed Earnings

÷ **420** Months/35 Years

$7,500 AIME

Bend point calculation

PIA = $3,009

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Reductions and Credits

Claiming Age	Monthly Benefits	% of PIA	
62	$2,106	70	Benefit is Reduced
63	$2,257	75	
64	$2,407	80	
65	$2,618	87	
66	$2,798	93	
67 (FRA)	**$3,009**	**100**	**PIA Amount**
68	$3,250	108	Benefit is Increased
69	$3,490	116	
70	$3,731	124	

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Retirement Benefit – Reductions & Credits

Percentage of Primary Insurance Amount

62	63	64	65	66	FRA	67	68	69	70
70%	75%	80%	87%	93%	100%	100%	108%	116%	124%

Monthly Benefits

2024 62	2025 63	2026 64	2027 65	2028 66	2029 FRA	2029 67	2030 68	2031 69	2032 70
$2,106	$2,257	$2,407	$2,618	$2,798	$ 3,009	$3,009	$ 3,250	$3,490	$3,731

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Spousal Benefits

- Up to 50% of spouse's PIA
- Maximum at FRA
- **Married** – eligible after 1 year
  - Other spouse must be collecting retirement benefit
- **Divorced – eligible after 10 years**
  - *Independently entitled* after 2 years

Claiming Age	% of PIA	
62	32.5	Benefit is Reduced
63	35	
64	37.5	
65	41.66	
66	45.83	
67 (FRA)	50	Maximum Spousal Benefit

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Survivor Benefits

Married Requirements

- Married for 9 months or more

Divorced Requirements

- Married for 10 or more years
- Not re-married before age 60

Widow's Limit

- 82.5% of PIA

Filing Age	Survivor Benefit Amount
60	71.50
61	75.58
62	79.65
63	83.72
64	87.79
65	91.86
66	95.93
67 (FRA)	100
68	100
69	100
70	100

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Dependent Benefits

- Parent must be collecting or deceased
- Receive 50% of PIA while parent is alive
- Receives 75% of PIA if parent is deceased
- Limited by family maximum benefit
- Subject to earnings test

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Eligible Dependents

Minor Child Under Age 18

Age 19 if still in High School

Disabled Adult Child, DAC

If disabled prior to age 22

Child In-Care Spousal Benefit

Spouse caring for child under age 16 or DAC

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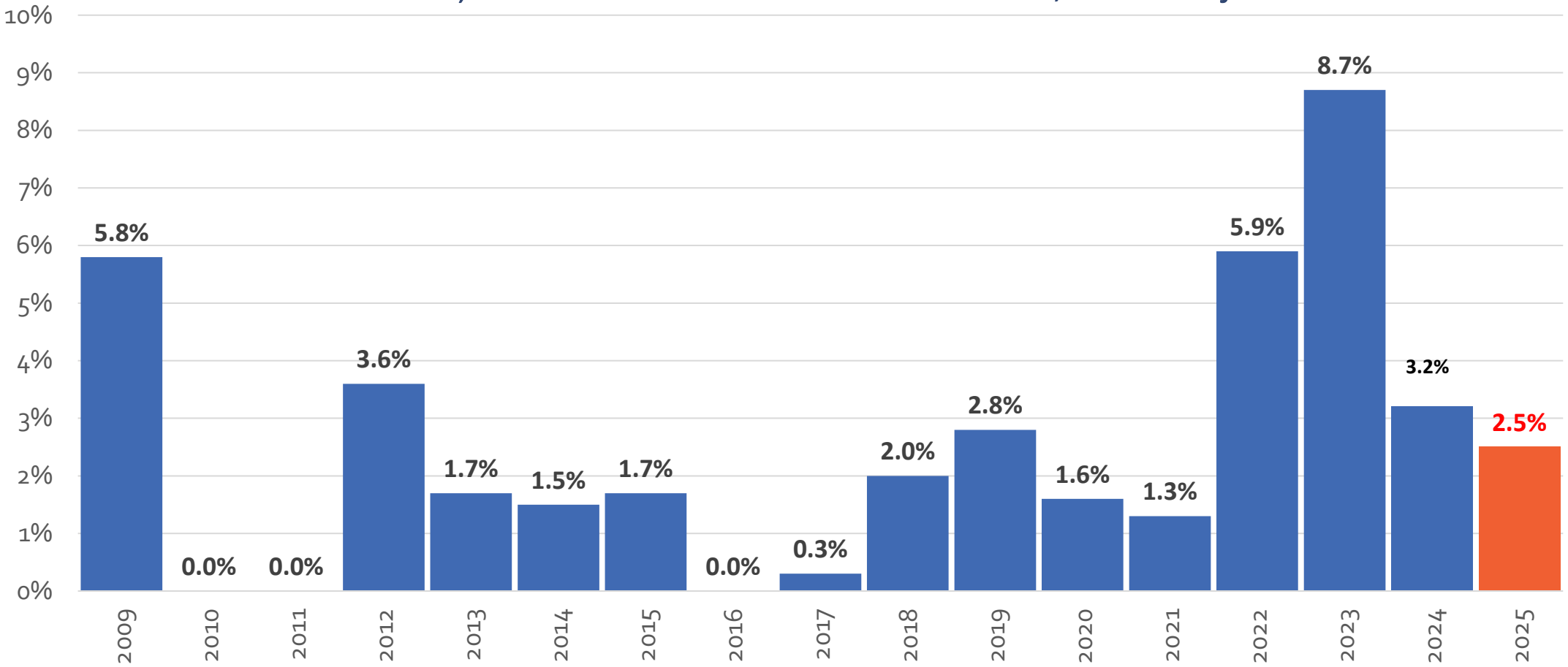
Cost of Living Adjustments, COLA

Collecting Benefits

- Increases PIA, benefit amount

Not collecting Benefits

- After 62, COLA adjusts PIA



COLA Applied in January

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More Obscure Rules

The Complexities

Earnings Test Pitfalls

- **62 to year of FRA:**

  $1 for every $2 earned above $22,320*

- **Year of FRA:**

  $1 for every $3 earned above $59,520*

- **No limits at or after month of FRA**
- **Beware of overpayments**

Earned Income	Not Earned Income
• Employment Income (W-2 Wages) • Net Income from Self-Employment	• Pension Payments • Annuity Payments • IRA Distributions • Dividends • Interest Income • Capital Gains • Rental Income…

* 2024 earnings limits

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Non-Covered Pensions

Pensions from work in which Social Security taxes were not withheld

Windfall Elimination Provision (WEP)

- Reduces ***retirement or disability***
- Based on years of substantial earnings
- Over 2 million impacted in 2022

Government Pension Offset (GPO)

- Reduces ***spousal or survivor***
- Based on amount of pension
- Over 724,000 impacted in 2022

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Windfall Elimination Provision (WEP)

WEP *modifies* the PIA calculation

Applies if collecting both:

1. A non-covered pension
2. Retirement or disability benefits

Important Considerations:

- Dependent benefits are also reduced
- Cannot zero out the retirement benefit
- Cannot reduce the benefit amount by more than half of the pension amount

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Government Pension Offset (GPO)

GPO *reduces benefits* by 2/3 of pension

Applies if collecting both:

1. A non-covered pension
2. Spousal or survivor benefits

Important Considerations:

- Can eliminate the benefit
- If pension is taken as lump-sum, GPO is calculated as if taken monthly

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Taxation of Social Security Income

Combined Income Formula

Adjusted Gross Income*

+ ½ Social Security Income

+ Tax-Exempt Interest

= **Combined Income, CI**

Combined Income Thresholds

*Not including Social Security income.

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RSSA Roadmap Tax Calculator

Taxable Social Security Estimate: 2024

BACK

State/Local	Filing Status	AGI Less Soc. Sec. Benefit	Social Security Benefit	Tax-Exempt Interest
California	Married - Jointly	$36,000	$40,000	$0

CALCULATE

California State Tax:

Your State DOES NOT Tax Social Security.

Federal Tax:

Total Social Security Benefit

$40,000

Amount of benefit subject to federal income tax

$16,200

Percent of benefit amount subject to federal income tax

41%

Combined Income Calculation

AGI less Social Security and Tax-Exempt Interest	$36,000
50% of Social Security Benefit	$20,000
Tax-Exempt Interest	$0
Combined Income	**$56,000**

Thresholds

Combined Income Threshold 1	$32,000
Combined Income Threshold 2	$44,000

The lowest of 3 tests below determines how much of Social Security is taxed

Test 1	
85% of Social Security benefits	$34,000
	$34,000
Test 2	
50% of Social Security benefits	$20,000
85% of Combined Income over 2nd threshold	$10,200
	$30,200
Test 3 ✓	
50% of Combined Income over 1st threshold	$12,000
35% of Combined Income over 2st threshold	$4,200
	$16,200

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Already Claimed?

- Withdraw an Application
  - 12-month window
  - Repay all benefits collected
- Voluntary Suspension
  - FRA or older
  - Accrue delayed retirement credits

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Other Considerations

Future Earnings Impacts on PIA

Disability Benefits

Divorced, Married Multiple Times

Retroactive Payments

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Optimizing Social Security Benefits

Case Examples

Couple with PIA Difference

Paul and Alice

- Age 62
- FRA is 67
- Life expectancy is 85
- Paul's PIA: $3,000
- Alice's PIA: $1,000

Both Claim at 62	Amount
Paul claims retirement benefits at 62	$2,100
Alice claims spousal benefits at 62	$ 975
Total Monthly Benefit at 62	**$3,075**

Both Claim at FRA	Amount
Paul claims retirement benefits at 67	$3,000
Alice claims spousal benefits at 67	$1,500
Total Monthly Benefit at 67	**$4,500**

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Couple with PIA Difference

Maximized Strategy	Amount
Paul claims retirement benefits at 70	$3,720
Alice claims spousal benefits at 70	$1,500*
Total Monthly Benefit at 70	$5,220

*Alice would:

1. Claim retirement at FRA, collect $1,000/mo. ($12,000/yr.)
2. Claim spousal benefit at 70 when Paul files.

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John and Lisa Benefits

John

Age: 62

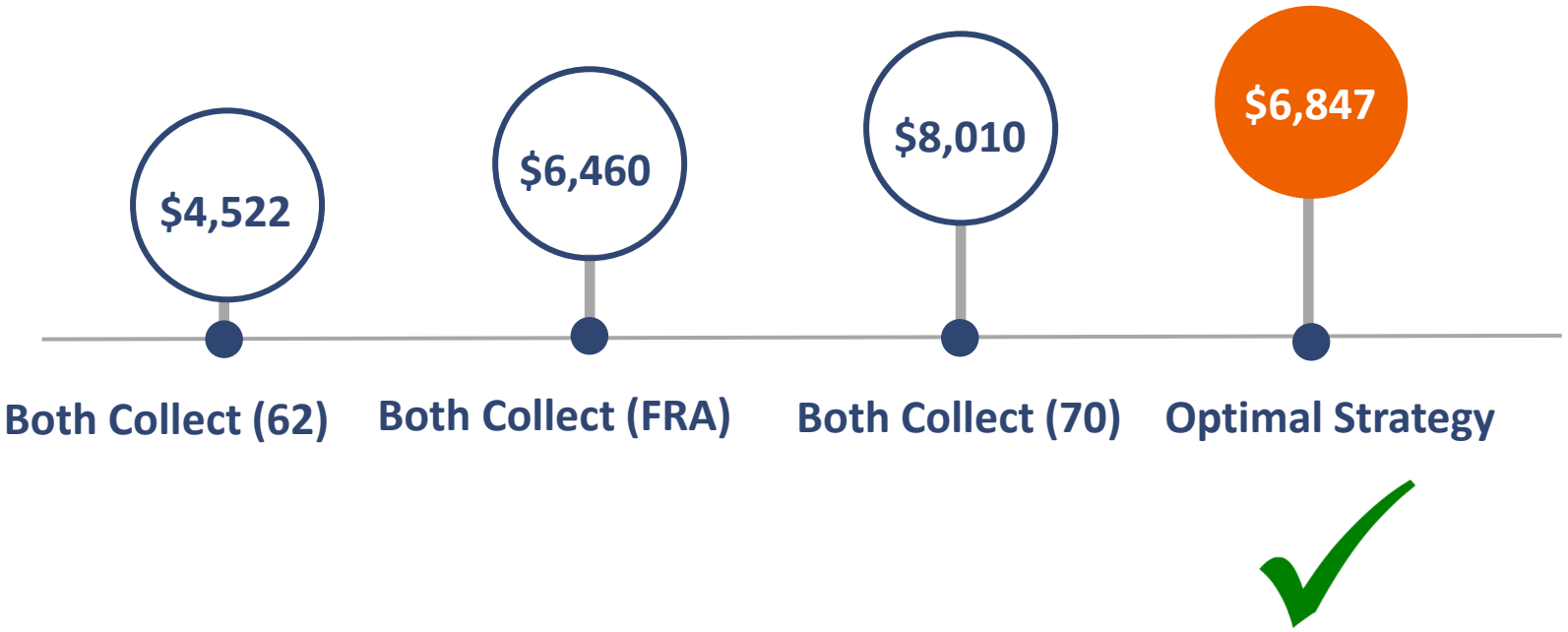
PIA: $3,345

Lisa

Age: 57

PIA $3,115

Monthly benefit after both file



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John and Lisa Heatmap

Lisa		John 2023 62	2024 63	2025 64	2026 65	2027 66	2028 FRA	2028 67	2029 68	2030 69	2031 70
2028	62	$1,131,720	$1,143,112	$1,148,721	$1,161,803	$1,170,393	$1,220,701	$1,220,701	$1,248,716	$1,271,577	$1,289,254
2029	63	$1,135,212	$1,146,604	$1,152,213	$1,165,295	$1,173,883	$1,224,193	$1,224,193	$1,252,208	$1,275,069	$1,292,746
2030	64	$1,133,708	$1,145,101	$1,150,709	$1,163,792	$1,172,381	$1,222,690	$1,222,690	$1,250,705	$1,273,566	$1,291,243
2031	65	$1,136,566	$1,147,958	$1,153,567	$1,166,650	$1,175,227	$1,225,547	$1,225,547	$1,253,562	$1,276,423	$1,294,089
2032	66	$1,147,190	$1,158,582	$1,164,191	$1,177,273	$1,185,851	$1,224,474	$1,224,474	$1,252,490	$1,275,350	$1,293,017
2033	FRA	$1,158,631	$1,170,024	$1,175,632	$1,188,715	$1,197,304	$1,219,540	$1,219,540	$1,247,555	$1,270,416	$1,288,093
2033	67	$1,158,631	$1,170,024	$1,175,632	$1,188,715	$1,197,304	$1,219,540	$1,219,540	$1,247,555	$1,270,416	$1,288,093
2034	68	$1,174,121	$1,185,513	$1,191,122	$1,204,214	$1,212,793	$1,216,892	$1,216,892	$1,243,405	$1,266,266	$1,283,934
2035	69	$1,185,095	$1,196,487	$1,202,096	$1,215,178	$1,223,758	$1,227,866	$1,227,866	$1,234,826	$1,257,575	$1,275,244
2036	70	$1,191,623	$1,203,015	$1,208,624	$1,221,714	$1,230,296	$1,234,394	$1,234,394	$1,241,356	$1,244,463	$1,262,133

*Images are examples used exclusively from RSSA Roadmap Software

Estimated Monthly Amount **$6,847**

Life Expectancy: 85 and 90

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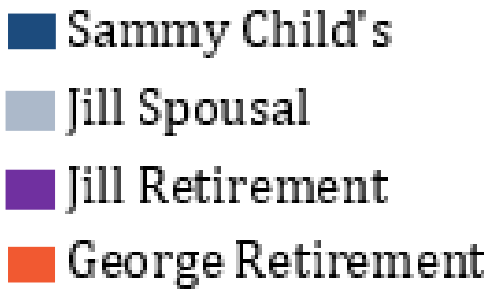
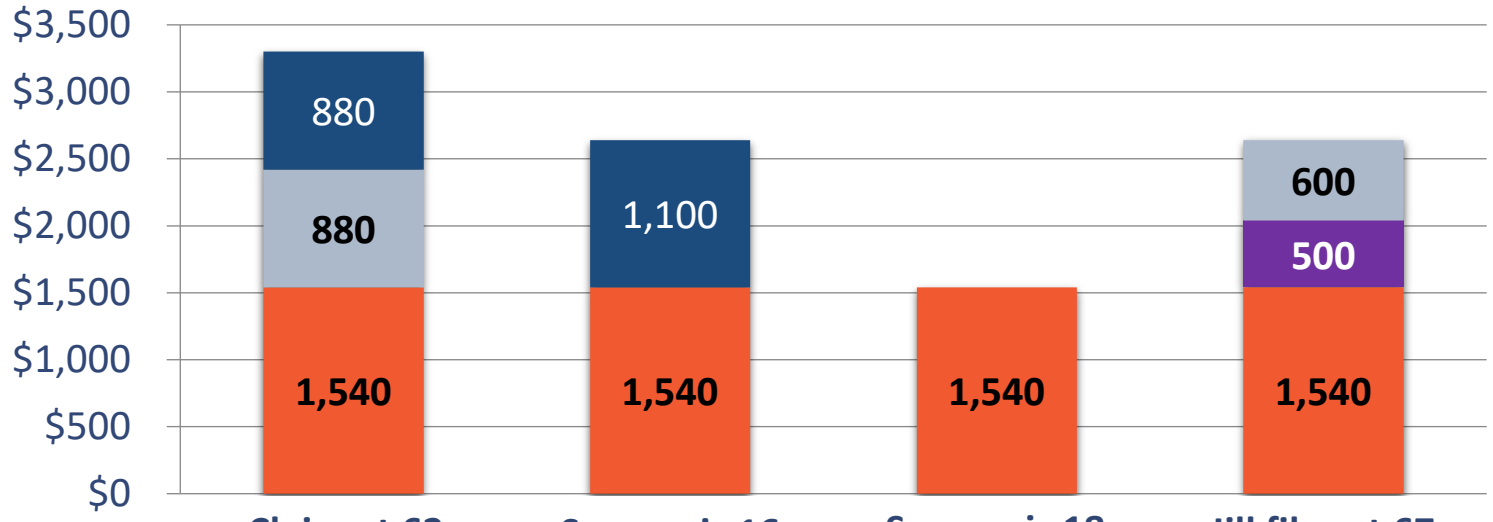
Children Case Study

George, 62	Jill, 54
LE: 90	LE: 90
FRA: 67	FRA: 67
PIA: $2,200	PIA: $500

Sammy, 13, graduates HS at 18



Monthly Combined Benefits



Claim at 62
(Receive child and child-in-care spousal)
$3,300/mo.
2 years

Sammy is 16
(Lose child-in-care spousal)
$2,640/mo.
2 years

Sammy is 18
(Lose child benefit)
$1,540/mo.
9 years

Jill files at 67
(Her max benefit)
$2,640/mo.
15 years

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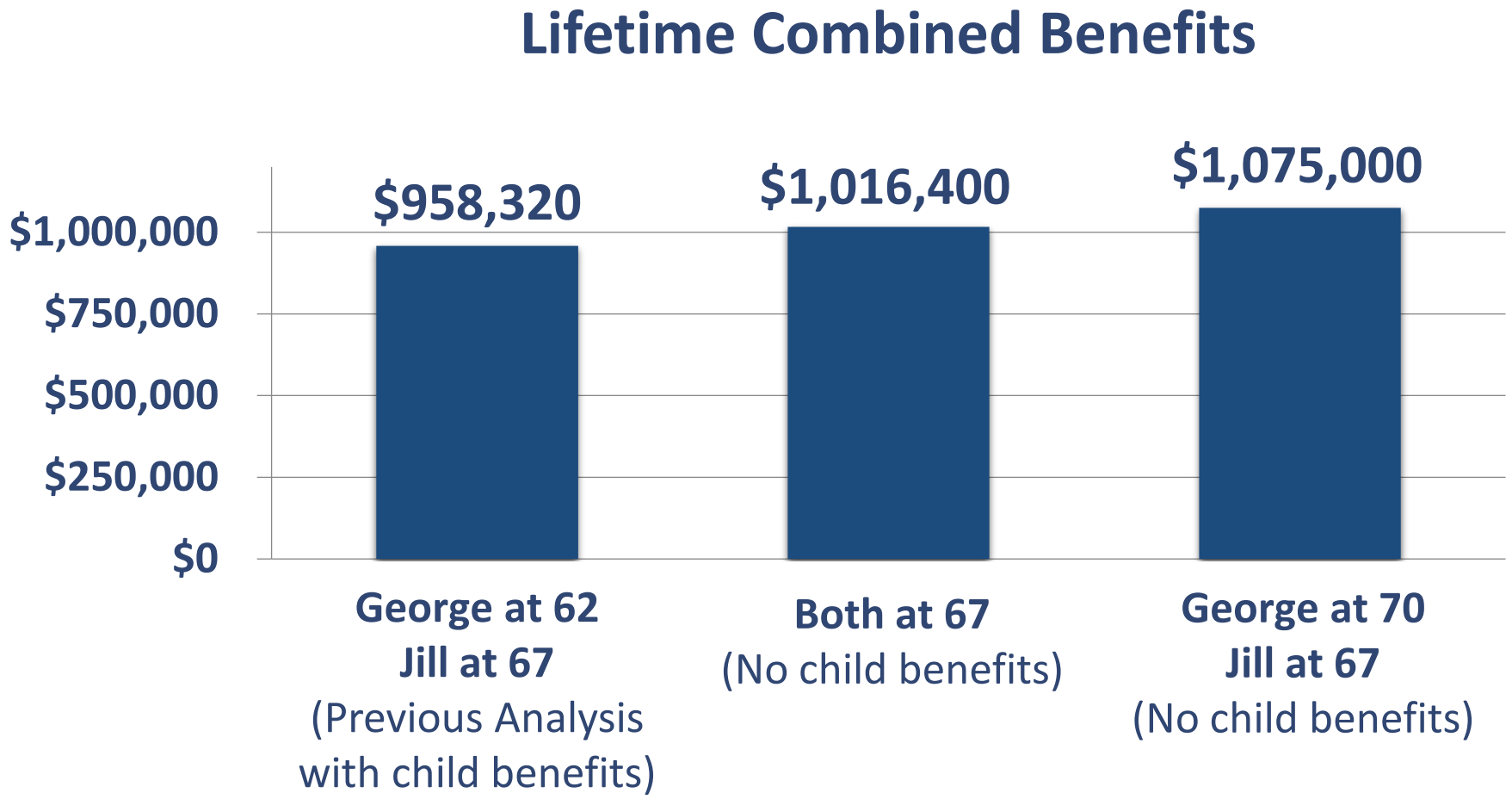
Children Case Study Summary

Considerations

- Age difference
- Survivor benefits
- Lifetime benefits



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Create *my* Social Security Account

https://www.ssa.gov/myaccount/

Your Social Security Statement

Download statement as PDF or XML file.

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RSSA Roadmap Optimization

My Clients / Roadmap / William Worker & Wanda Worker Age(s): 66 & 61

Roadmap Reporting

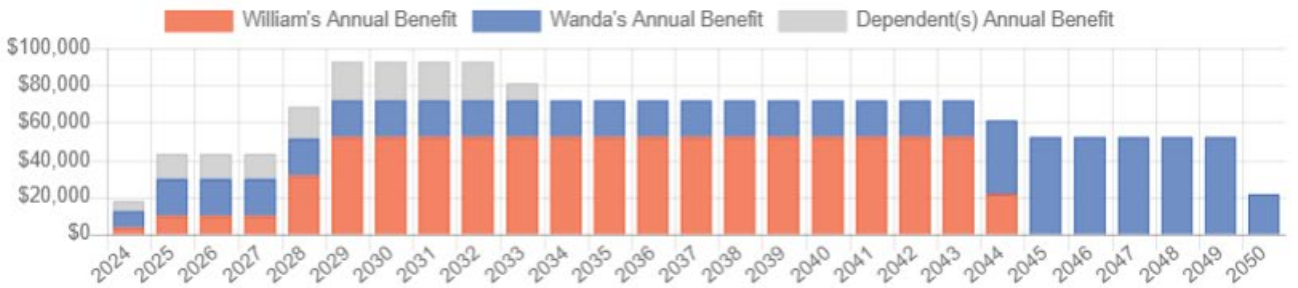
DOWNLOAD REPORT

William Worker	Wanda Worker
Birth Date 06/14/1958	**Birth Date** 06/14/1962
Current Age 66	**Current Age** 61
Full Retirement Age 66 and 8 month(s) February 2025	**Full Retirement Age** 67 and 0 month(s) June 2029

UPDATE INFORMATION

Selected Option: 66 / 62	Maximum Option: 70 / 62	Lifetime Benefit Increase
$1,280,100	$1,347,387	**$67,287**

Maximum Benefit Option William Worker Age: 70 & Wanda Worker Age: 62 — Lifetime: $1,347,387



Need Help?

A Registered Social Security Analyst is ready to assist.

SOCIAL SECURITY FAQ

CONTACT TECHNICAL SUPPORT

- Filing Option Heatmap
- PIA Calculator
- Break-Even Report
- Tax Calculator
- Medicare Calculator (beta)
- SETARA® Self-Employed Tax and Retirement Analysis (beta)

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Questions?

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Thank You!

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