

Social Security Benefit Maximization Workshop (2018 edition)

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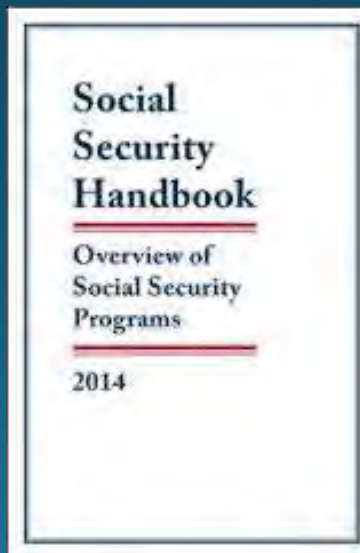
Disclaimer

This class is designed to help you understand **CONCEPTS** and is not intended to give you advice on social security or other financial issues. There is a myriad of social security laws and regulations to be aware of, therefore it is recommended that you speak to a *trained* professional or an employee of the Social Security Administration before making any decisions. These benefits are permanent so please be careful.

Picture this...

Imagine you're about to accept a new job and it's time to talk salary. You sit down with your boss who begins to say...

Actually, our payroll system is impossibly complicated. You can pick from dozens of different ways to be paid and hundreds of different start dates, and each will produce a different salary. We offer some guidance, but we're short handed. Deciding when and how to collect a paycheck is essentially up to you. So what would you like to do...

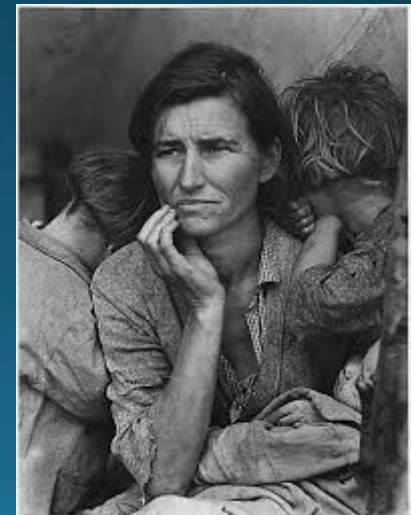


Explanations of the rules are found in the Program Operating Manual System (POMS)

2,700 Rules!

The time period...

- Oct 24th, 1929 (Black Tuesday)
- Stock Market crashes
- 10,000 banks fail (No FDIC)
- Unemployment rate shoots up to 25%
- Senior Citizens unemployment rate shoots up to 50%



SS Timeline



SS initiated payroll tax. Ernest Ackerman, bus driver from Toledo, Ohio, receives the first lump sum of \$0.17 (1937)



Ida May Fuller, legal secretary, receives the first monthly benefit check for \$22.54. Lived to 100 yrs. old and paid into SS for only 3 yrs. (\$24.75 Total Paid). Collected a total of \$20,993 (1940)



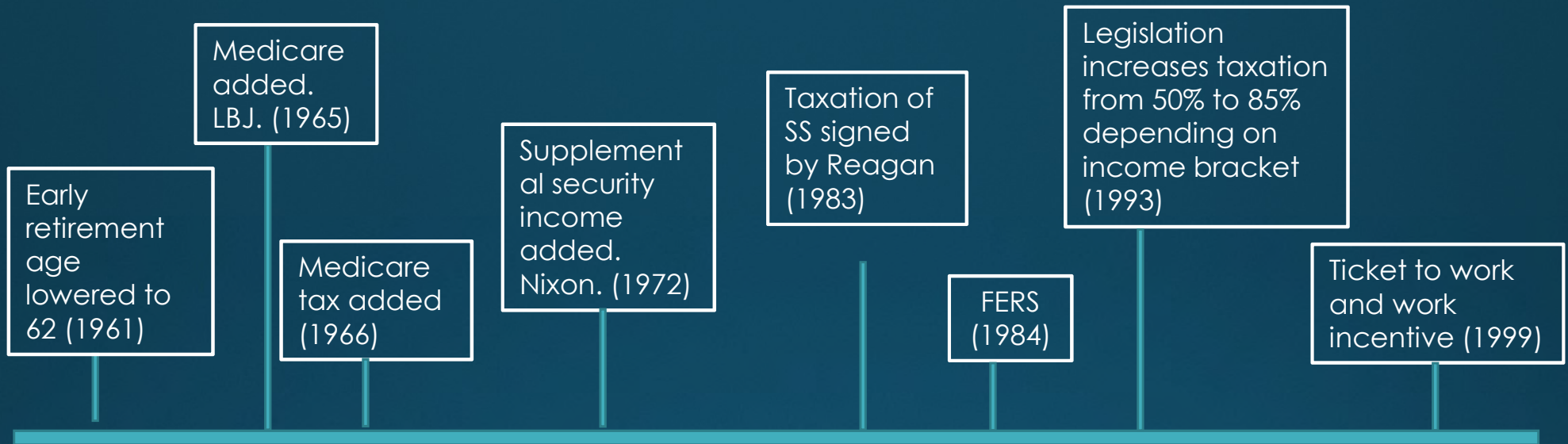
Roosevelt signs Social Security Act (1935)

Spouse and minors able to join (1939)

COLA adjustments a permanent fixture (1950)

Disability program added. Eisenhower (1954)

SS Timeline (cont.)



More Recently...

Clinton signed into the law: Senior Citizens' Freedom to Work Act (2000)

Obama signs the "No benefits for prisoners" Act (2009)



Proposals coming to fruition



UPDATE!

- Lift the payroll ceiling (2018 - \$128,700)
- Increase social security (FICA) taxes 1.2%
- Raise the eligibility age from 62 to 64 (*FRA rose to 67)
- Change the COLA calculation (2018 – 2.0%)
- Reduce benefits for new retirees
- Tighten up Disability Rules
- Average in more working years
- Focus Social Security benefits on those who need them the most (cut benefits for the rich)
- Close loopholes (Bipartisan Act of 2015)
- Privatize the system

OAS-DI-HI-SMI

How Social Security Works

An employee pays 6.2% of his/her salary into SS Trust Fund & 1.45% into Medicare



Employers pay 6.2% to the SS Trust Fund & 1.45% into Medicare

Social Security Trust Fund

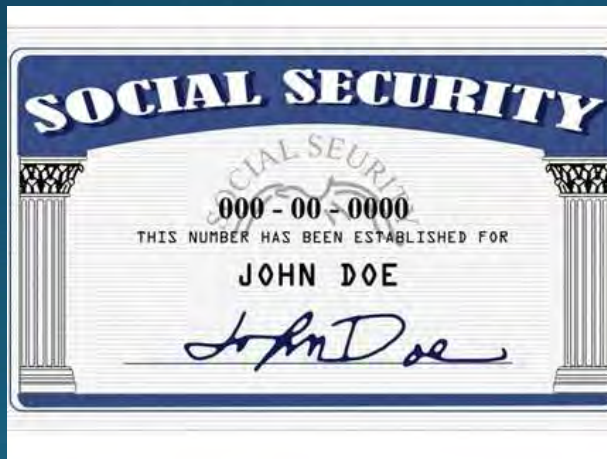
Payments to retirees, disabled, survivors and dependents

Any surplus taxes go to the SSTF, secured in the form of U.S. Treasury Bonds

Eligibility – So how can I participate

UPDATE!

- Earn and accumulate 40 credits from your working years
- To earn one credit, you must earn \$1320 (2018)
- Max of 4 credits per year may be earned at any time during the calendar year



a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use efile		Visit the IRS website at www.irs.gov/efile					
b Employer identification number (EIN)		44-1XXXXXX		1 Wages, tips, other compensation	2 Federal income tax withheld						
c Employer's name, address, and ZIP code		West Way Books 43 Bookend Rd Albuquerque, NM 87108		3 Social security wages	4 Social security tax withheld						
d Employee's social security number		444-XX-XXXX		5 Medicare wages and tips	6 Medicare tax withheld						
e Employee's first name and initial		Last name		7 Social security tips	8 Allocated tips						
Susan A. Quintana		Albuquerque, NM 87105		9 Advance EIC payment	10 Dependent care benefits						
f Employee's address and ZIP code		11 Nonqualified plans		12a See instructions for box 12							
15 (a) Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	
NM 44-0XXXXXX-XX		16500.25		404.26							

Form **W-2** Wage and Tax Statement **20XX** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

So now that I have the credits, what's next?

- SSA will calculate your benefits by plugging in some **key factors** into a formula
- Factors:
 - 1) **Your highest 35 years of earnings** that were subject to FICA taxes (different wage bases each year) X **an Index Factor assigned for each year** (inflation adjusted)
 - 2) Sum from step 1 / **420** (35 X 12) = AIME (Average Indexed Monthly Earnings)
 - 3) AIME is **assigned bend points**: 90% (1st \$895) , 32% (2nd \$5397), 15% (the rest)



TIP

Attempt to working for 35 years or more

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1956	\$4,200		13.62	
1957	\$4,200		13.21	
1958	\$4,200		13.09	
1959	\$4,800		12.47	
1960	\$4,800		12.00	
1961	\$4,800		11.77	
1962	\$4,800		11.21	
1963	\$4,800		10.94	
1964	\$4,800		10.51	
1965	\$4,800		10.32	
1966	\$6,600		9.74	
1967	\$6,600		9.23	
1968	\$7,800		8.63	
1969	\$7,800		8.16	
1970	\$7,800		7.78	
1971	\$7,800		7.40	
1972	\$9,000		6.74	
1973	\$10,800		6.35	
1974	\$13,200		5.99	
1975	\$14,100		5.57	
1976	\$15,300		5.21	
1977	\$16,500		4.92	
1978	\$17,700		4.56	
1979	\$22,900		4.19	
1980	\$25,900		3.84	
1981	\$29,700		3.49	
1982	\$32,400		3.31	
1983	\$35,700		3.16	
1984	\$37,800		2.98	
1985	\$39,600		2.86	

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1986	\$42,000		2.78	
1987	\$43,800		2.61	
1988	\$45,000		2.49	
1989	\$48,000		2.39	
1990	\$51,300		2.29	
1991	\$53,400		2.21	
1992	\$55,500		2.10	
1993	\$57,600		2.08	
1994	\$60,600		2.02	
1995	\$61,200		1.95	
1996	\$62,700		1.86	
1997	\$65,400		1.75	
1998	\$68,400		1.67	
1999	\$72,600		1.58	
2000	\$76,200		1.50	
2001	\$80,400		1.46	
2002	\$84,900		1.45	
2003	\$87,000		1.41	
2004	\$87,900		1.35	
2005	\$90,000		1.30	
2006	\$94,200		1.24	
2007	\$97,500		1.19	
2008	\$102,000		1.16	
2009	\$106,800		1.18	
2010	\$106,800		1.15	
2011	\$106,800		1.12	
2012	\$110,100		1.09	
2013	\$113,700		1.07	
2014	\$117,000		1.03	
2015	\$118,500		1.00	
2016	\$118,500		1.00	

Will your benefits increase?

- To determine whether it is worth working an extra year or two to replace the lower earnings years try this calculation:
- Take your anticipated earning and subtract the lower existing earning .
- Then divide the number by 420
- Multiply it by .90 or .32 or .15 (depends on your AIME)
- The answer represents the increase in monthly payments!

What is your benefit based on?

Your **PIA** (Primary Insurance Amount)

is

the basic unit used to determine the amount of each monthly benefit payable under social security at **FRA** (Full Retirement Age)

Full retirement age

- Prior to 1937 65
- 1943-1954 66
- 1960 or later 67

What you get from SS...

Your Age	62 "Premature"	66 Full Retirement Age	70 Delayed Retirement
What You Get...	Pay Cut 25%	Income	Pay Raise 32%
For Example...	\$750	\$1,000	\$1,320

Fun Fact

- The highest monthly benefit amount (PIA) at FRA in 2018 is \$2788.



5 American Cities Where you can retire on just Social Security

- Buffalo, New York
- Johnstown, Pennsylvania
- Memphis, Tennessee
- Akron, Ohio
- Indianapolis, Indiana (millennial central)

Impact of early retirement

- Benefits can start as early as age 62
- $\frac{5}{9}$ of 1% reduction in PIA benefit per month for the first 36 months retired before FRA
- $\frac{5}{12}$ of 1% reduction in PIA benefit per month for each month in excess of 36 months retired before FRA

Impact of Late Retirement

- 3-8% increase in PIA benefit for every one year delay in retirement (depending on your birth year)
- Delayed Retirement Credit
 - 1939-1940 7.0%
 - 1941-1942 7.5%
 - 1943 and later 8.0%

PIA Cheat Sheet

Age when you claim retirement benefits

Amount of retirement benefit

4 years before FRA

75% of PIA

3 years before FRA

80% of PIA

2 years before FRA

86.67% of PIA

1 year before FRA

93.33% of PIA

FRA

100% of PIA

1 year after FRA

108% of PIA

2 years after FRA

116% of PIA

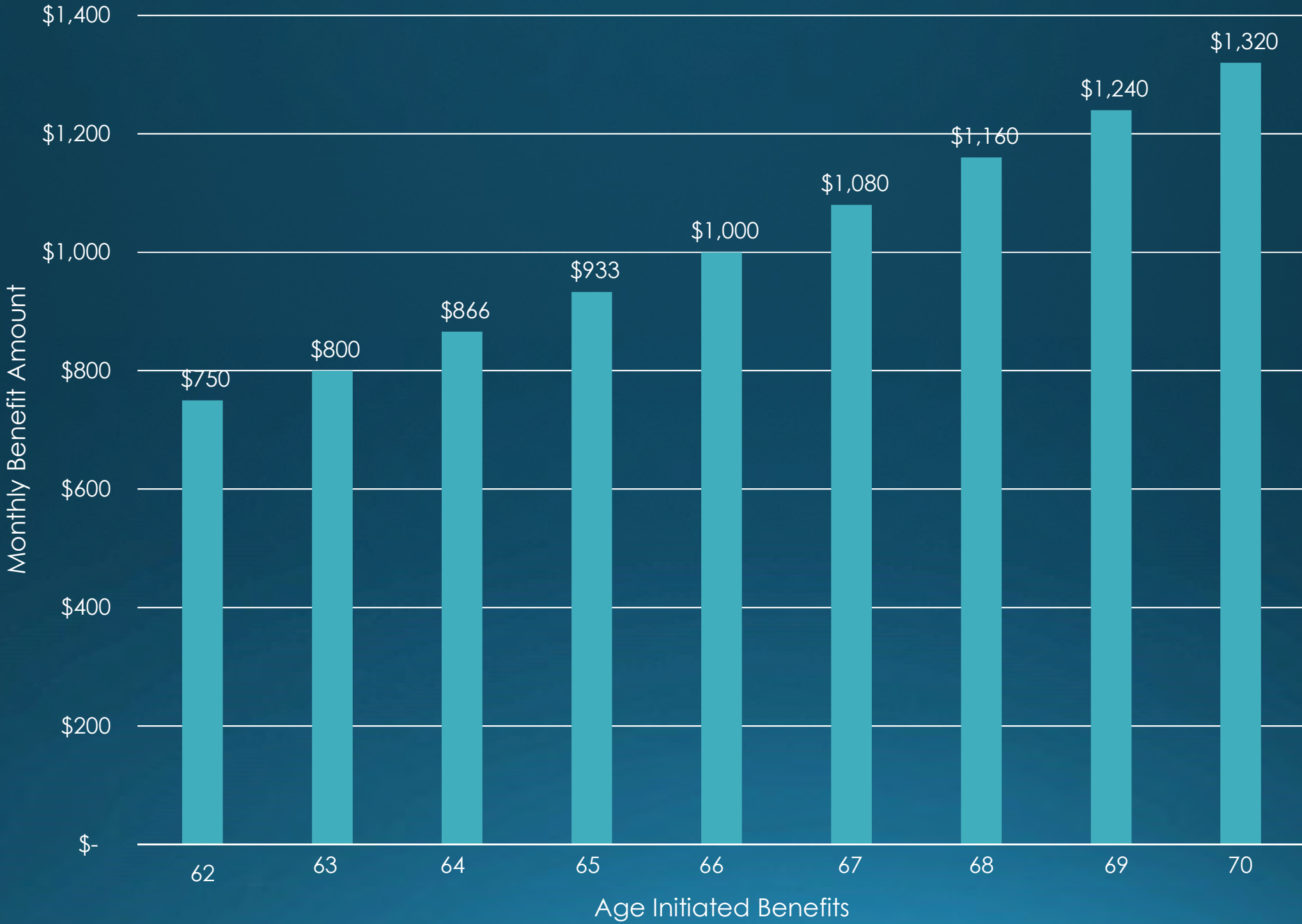
3 years after FRA

124% of PIA

4 years after FRA

132% of PIA

Monthly Benefit Amounts Differ based on Age





You can continue to work after you claim but...

For Every \$1 You Earn Above...	Benefits are reduced by...
\$17,040 Per Year in the calendar years before you reach FRA	1/2
\$45,360 Per Year in the calendar year in which you reach FRA	1/3

Remember: No Benefits Are Withheld **After** You Reach FRA



TIP

Don't let the earnings test stop you from working

Income not subject to earnings test

- Pension income
- Withdrawals from qualified plans
- Passive income (rental home)
- Investment interest
- Investment dividends

How are benefits taxed?

Your adjusted gross income

+ Nontaxable interest (Muni Bond Interest)

+ ½ of your Annual Social Security benefits

= Your "**provisional income**"

How are benefits taxed?

	Below	Between	Above
Single	\$25,000	\$25,000-34,000	\$34,000
Married Filing Jointly	\$32,000	\$32,000-44,000	\$44,000
Taxed Portion	0%	50%	85%

2018 Tax Rate Schedule

UPDATE!

2018 tax brackets

Single filers		Married filers	
10%	\$0–\$9,525	10%	\$0–\$19,050
12%	\$9,526–\$38,700	12%	\$19,051–\$77,400
22%	\$38,701–\$82,500	22%	\$77,401–\$165,000
24%	\$82,501–\$157,500	24%	\$165,001–\$315,000
32%	\$157,501–\$200,000	32%	\$315,001–\$400,000
35%	\$200,001–\$500,000	35%	\$400,001–\$600,000
37%	\$500,001 or more	37%	\$600,001 or more

Can I estimate what my benefits will look like when I retire?

- Expect your Social Security statement to be mailed to you every 5 years, if you do not have an online account (starting from age 25)
- After age 60, the statements will be mailed to you annually.
- You can always create an account. You must provide personal information to verify your identity and create a username and password

Prevent identity theft—protect your Social Security number

Your Social Security Statement

Prepared especially for Wanda Worker

May 12, 2009 www.socialsecurity.gov

See inside for your personal information →

WANDA WORKER
485 ANYWHERE AVENUE
MANTOWN, USA 11111-1111

What's inside...

- Your Estimated Benefits 2
- Your Earnings Record 1
- Some Facts About Social Security 4
- If You Need More Information 4
- To Request This Statement in Spanish (Para Solicitar Esta Declaración en Español) 4

What Social Security Means To You

This *Social Security Statement* can help you plan for your financial future. It provides estimates of your Social Security benefits under current law and updates your latest reported earnings.

Please read this *Statement* carefully. If you see a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of your *Statement* with your financial records.


Social Security is for people of all ages...
We're more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.

Work to build a secure future...
Social Security is the largest source of income for most elderly Americans today, but Social Security was never intended to be your only source of income when you retire. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire.

Saving and investing wisely are important not only for you and your family, but for the entire country. If you want to learn more about how and why to save, you should visit www.mymoney.gov, a federal government website dedicated to teaching all Americans the basics of financial management.

About Social Security's future...
Social Security is a compact between generations. For decades, America has kept the promise of security for its workers and their families. Now, however, the Social Security system is facing serious financial problems, and action is needed soon to make sure the system will be sound when today's younger workers are ready for retirement. In 2016 we will begin paying more in benefits than we collect in taxes. Without changes, by 2037 the Social Security Trust Fund will be exhausted* and there will be enough money to pay only about 78 cents for each dollar of scheduled benefits. We need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations.

Social Security on the Net...
Visit www.socialsecurity.gov on the Internet to learn more about Social Security. You can read publications, including *When To Start Receiving Retirement Benefits*, use our Retirement Estimator to obtain immediate and personalized estimates of future benefits, and when you're ready to apply for benefits, use our improved online application—it's so easy!


Michael J. Astruc
Commissioner

* These estimates are based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

SS benefits matrix

	Retirement	Survivorship	Disability
	Fully Insured	Fully Insured	Based on Age
	(40 credits)	(40 credits)	
Participant-Worker	100%	Deceased	100%
Child < 18	50%	75%	50%
Spouse w/ Child < 16	50%	75%	50%
Spouse age 66 FRA	50%	100%	50%
Spouse age 62	35%	81%	35%
Spouse age 60	n/a	71.50%	n/a

Remember this?

- **Title VIII, Section 831 of the House Budget Bill – Social Security**
- *Title VIII makes a number of changes to the Social Security Disability Program. The Disability Insurance (DI) trust fund is estimated to run out of money at the end of 2016. This proposal would “reallocate” about \$150 billion over the next three years from the Social Security Trust Fund to the DI Trust Fund. This infusion of Social Security revenues should keep the DI program solvent through 2022.*

Strategies no longer...

- Restricted applications will no longer be accepted...for most claimants (Claim now, Claim more later – for spouses)
- The 'File and Suspend' strategy will no longer be permitted
- If you are under Full Retirement Age, the deeming rule will force you to take your own reduced retirement or your reduced spousal (whichever is larger)
- If the higher earning spouse decides to delay, spouses will be forced to delay filing for spousal benefits as well

Claiming tips

1. The best way to grow is to delay
2. The Magic happens at FRA
3. If you file before FRA, chance of permanent reduction (for spouses - Deeming Rule)
4. Working spouse must file first in order for the spousal benefits to be approved
5. Spousal benefits do not grow

	Married Couples	Divorced Couples	Widow(ers)	Singles
Age 66 or Older on April 30 th 2016 (Born April 30 th 1950 or earlier)	You can still File and Suspend prior to April 30 th 2016 (must have reached FRA)	Cannot F/S NOR file a Restricted Application	New Rules do not apply widow(ers) benefits	Able to file and suspend prior to April 30 th 2016, must have reached FRA
Age 62 or older in 2016 (Born January 1 st 1954 or earlier)	Can file a restricted application at FRA	Cannot F/S, but can file a restricted application at FRA	New Rules do not apply widow(ers) benefits	N/A
Age 62 or younger (Born January 2 nd 1954 or later)	Can't File and Suspend NOR file a Restricted application	Cannot F/S NOR file a restricted application	New Rules do not apply widow(ers) benefits	N/A

Strategies
to max your benefits



TIP

The WEP and GPO provisions only kick in when you start receiving your pension



TIP

Your benefits will adjust even while you collect social security and work at the same time



TIP

Watch out for retroactive pay if you have decided to wait passed the age of FRA



TIP

Been collecting for less than 1 year?
You can give it back



TIP

Need a lump sum amount?



TIP

Been collecting since 62 and now at FRA?
Apply start, stop, start.



TIP

Looking for a larger monthly household income? Take advantage of spousal benefits



TIP

Spousal benefits do not increase past
Full Retirement Age



TIP

Filing for spousal benefits under FRA will cause your benefits to be deemed as a workers benefit



TIP

Stay married for at least 10 years



TIP

Divorced? Wait 2 years before filing for
ex-spousal benefits



TIP

There is a larger benefit if your spouse
passes away



TIP

If you take your retirement early,
it not only reduces your benefits,
but also the survivor's benefits



TIP

Ex-spouses are also eligible for survivor benefits

Questions?
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