

Maximizing Social Security Benefits (2017)

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2016 Annual Social Security Trustees Report

- The ability to meet all its financial obligations over the next 75 years
- Worst case, the system would need a re-boot by 2034 assuming no upgrades or fixes
- 75% of funds would still be paid out in 2034, again, assuming status quo.
- Total deficit or funding shortfall is 2.66% of taxable payroll (split 1.3% for EE/1.35 for ER if tax increase moves forward)

THE 2015 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

TRANSMITTING

THE 2015 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS



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

Proposals to eliminate SS shortfall

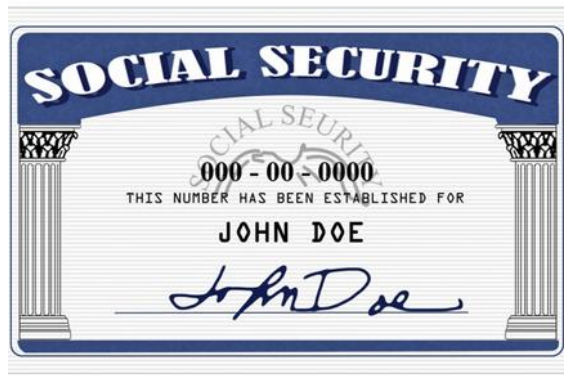



- Lift the payroll ceiling (2017 - \$127,200)
- Increase social security (FICA) taxes 1.2%
- Raise the eligibility age from 62 to 64 (*FRA rose to 67)
- Eliminate or Change the COLA calculation (2017 – 0.3%)
- Reduce benefits for new retirees
- Tighten up Disability Rules
- Average in more working years
- Reduce the benefits based on Adjusted Gross Income
- Close loopholes (Bipartisan Act of 2015)



Eligibility – So how can I participate?

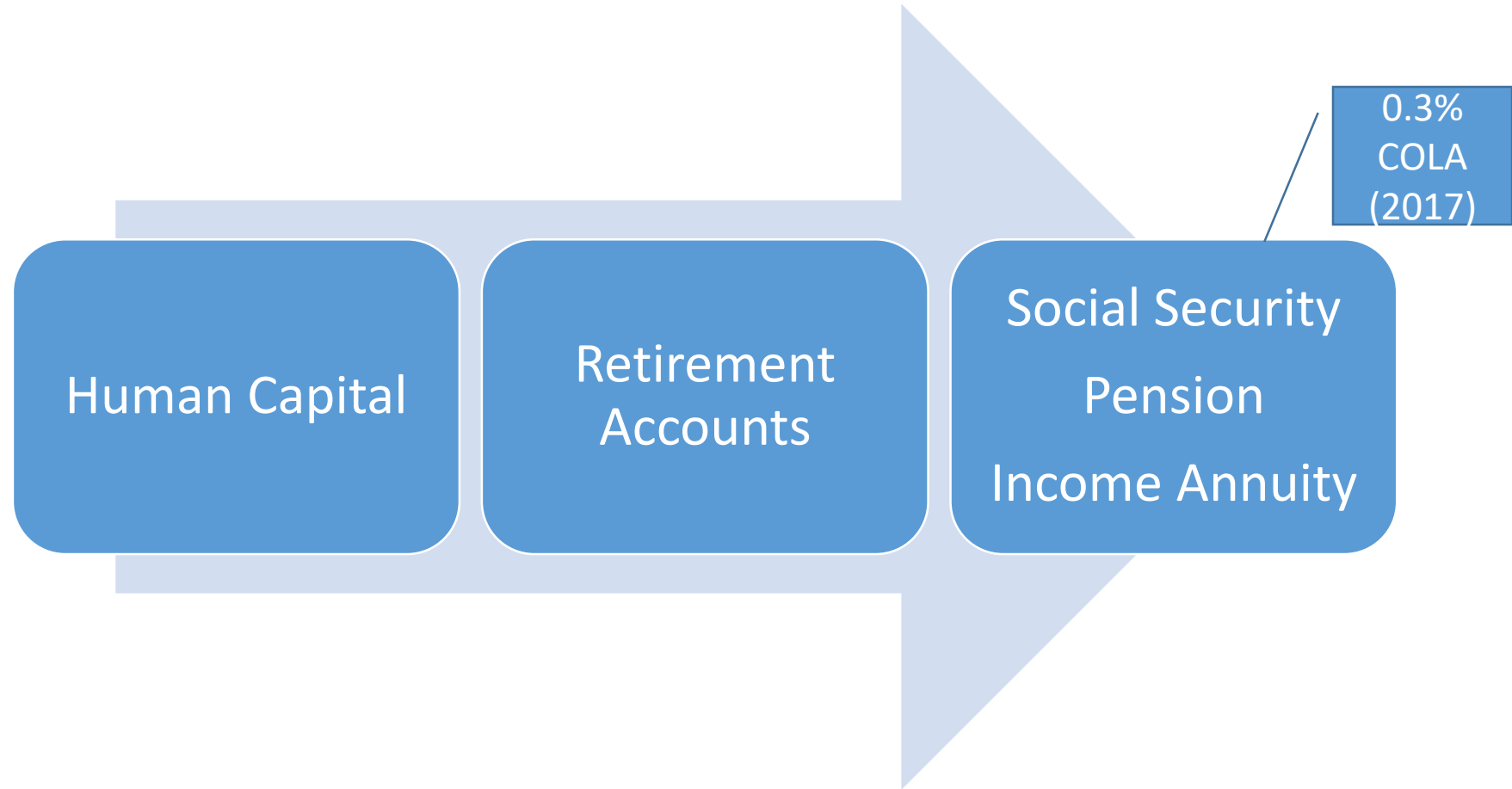
- Earn and accumulate 40 credits from your working years
- To earn one credit, you must earn \$1300 (2017)
- Max of 4 credits per year may be earned at any time during the calendar year



a Control number		OMB No. 1545-0048	Subs, accounts, FATFI, Use 	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	16500.25	1023.02
d Employee's social security number		444-XX-XXXX	3 Social security wages	4 Social security tax withheld
e Employee's first name and initial		Susan A. Quintana 1000 Old Club Rd SW Albuquerque, NM 87105	16500.25	5 Medicare wages and tips
f Employee's address and ZIP code			7 Social security tips	8 Allocated tips
g State wages, tips, etc.			9 Advance EIC payment	10 Dependent care benefits
h State income tax			11 Nonqualified plan	12a See instructions for box 12
i Local wages, tips, etc.			12a	12b
j Local income tax			12c	12d
k Locality name			13 Other	
15 State		44-0XXXXXX-XX	16 State wages, tips, etc.	17 State income tax
18 NM			16500.25	404.26
19			18 Local wages, tips, etc.	19 Local income tax
20				20 Locality name

W-2 Wage and Tax Statement 20XX Department of the Treasury—Internal Revenue Service
Form 990
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Protection from living too long



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 X12) = AIME (Average Indexed Monthly Earnings)
 - 3) AIME is **assigned bend points**: 90%(1st \$856) , 32% (2nd \$5157), 15% (the rest)

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

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

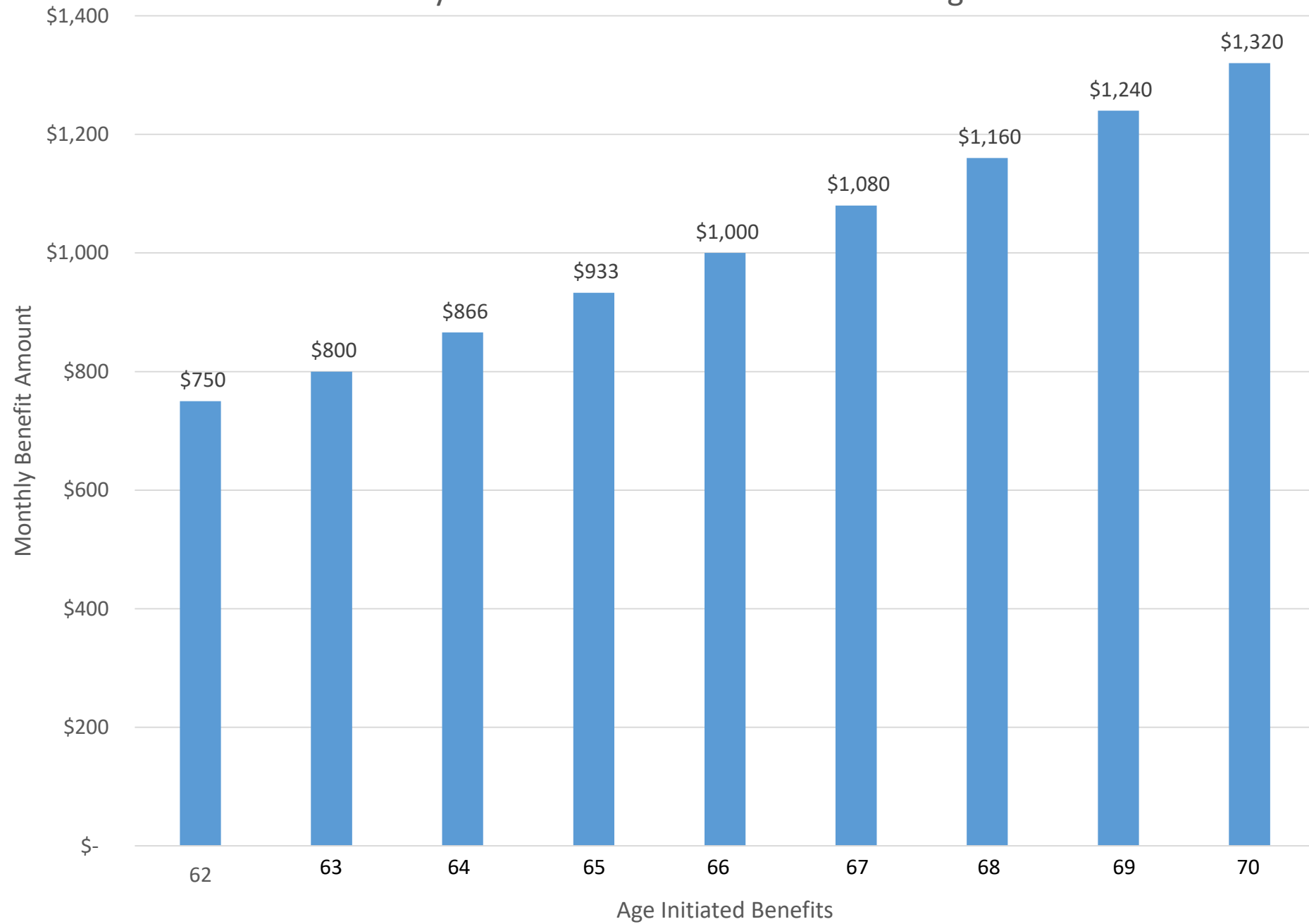
3 years after FRA

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...
\$16,920 Per Year in the calendar years before you reach FRA	1/2
\$44,880 Per Year in the calendar year in which you reach FRA	1/3

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

Income not subject to earnings test

- Pension income
- Withdrawals from qualified plans (e.g., 401K, IRA)
- Passive income (rental home)
- Investment interest
- Investment dividends
- Capital Gains
- Unemployment compensation

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%

Do you plan on delaying?

It depends...

Reasons to take it early:

1. You need the money
2. Health or Family longevity issues
3. You won't hit the break even point
4. You are risk averse

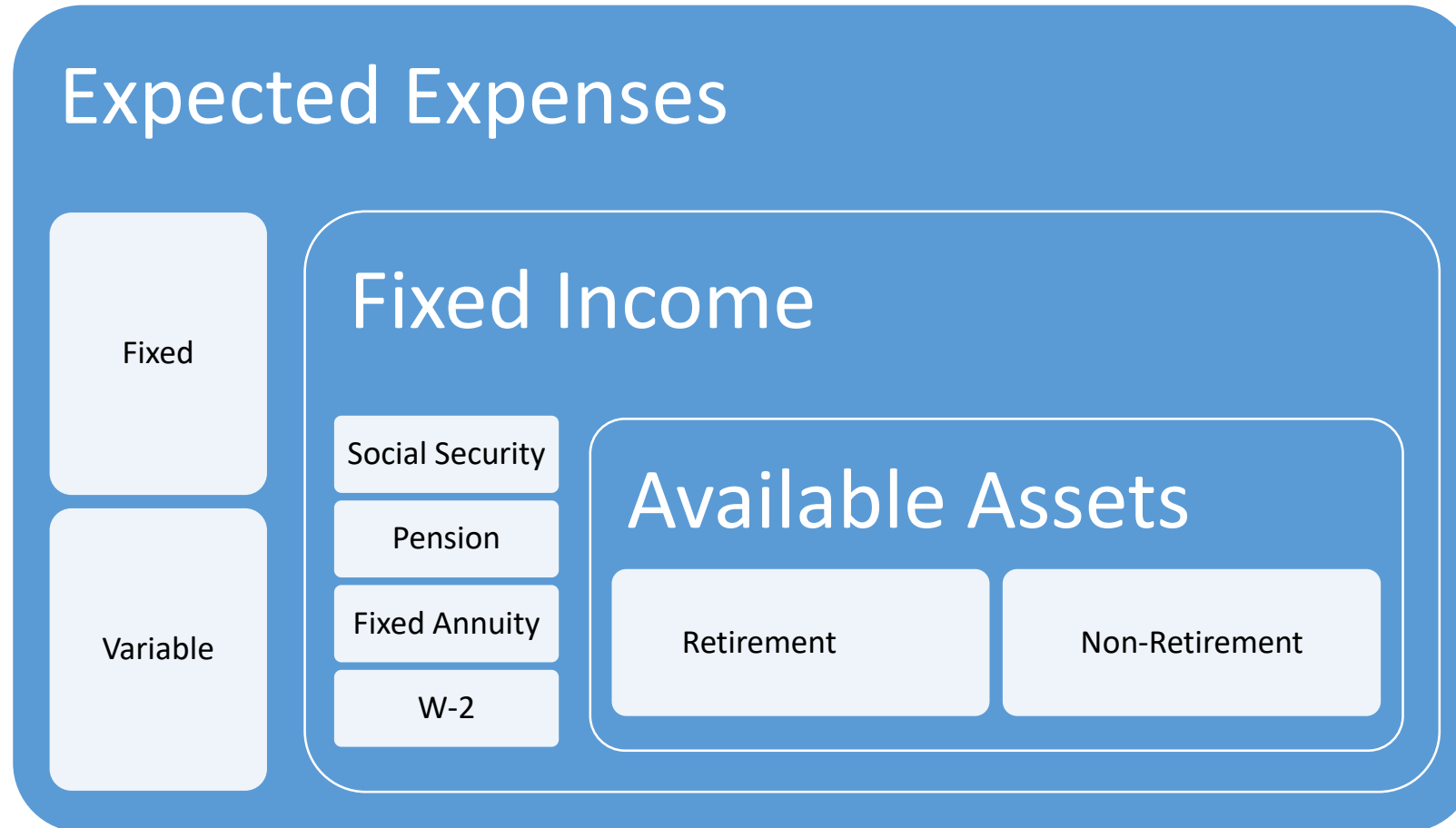
Reasons to take it late:

1. You have a nest egg
2. Healthy or Family longevity issues
3. A larger benefit for you and your spouse
4. You are a risk taker

Expenses may go  once you retire...

- No More FICA taxes
- No More expensive health premiums (covering entire family)
- No More contributions to a retirement account
- No More Business Expenses
- Mortgage Paid Off
- Auto Loan Paid Off
- Lower tax bracket
- Less Fuel usage
- Empty Nest???

Create a plan



4 new strategies to
optimize your benefits