

SOCIAL SECURITY BENEFIT MAXIMIZATION WORKSHOP

(2024 Edition)

Instructor: John Pak, CFP® RICP® EA

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Credentials

Background :

- 24 years in the Financial Advisory Industry
- Preservation / Distribution Planning Specialist
- Certification in Financial Planning from NYU/UCLA


Designations:

- Certified Financial Planner™
- Retirement Income Certified Professional™
- IRS Enrolled Agent



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* financial planner or a benefits technician of the Social Security Administration before making any decisions.





2024 Stats

- Payroll ceiling (2024 - **\$168,000**)
- COLA – CPI-W (2024 - **3.2%**)
- A quarter of coverage increases to **\$1,730**
- The average benefit is between **\$1783 and \$1909**
- The earnings test increases to **\$22,320 per year (under FRA) and \$59,520 per year (FRA)**

1,5220

SOCIAL SEC. ID

EMPLOYEE ID

CHECK NO.

XXX-XX-6565

454545

259248

HOURS

CURRENT TOTAL

DEDUCTIONS

CURRENT TOTAL

1,000.00

FICA MED TAX

14.50

FICA SS TAX

62.00

FED TAX

159.50

CA ST TAX

44.26

SDI

10.00

6.2% for Social Security
1.45% for Medicare

YTD DEDCTIONS

1,451.28

YTD NET PAY

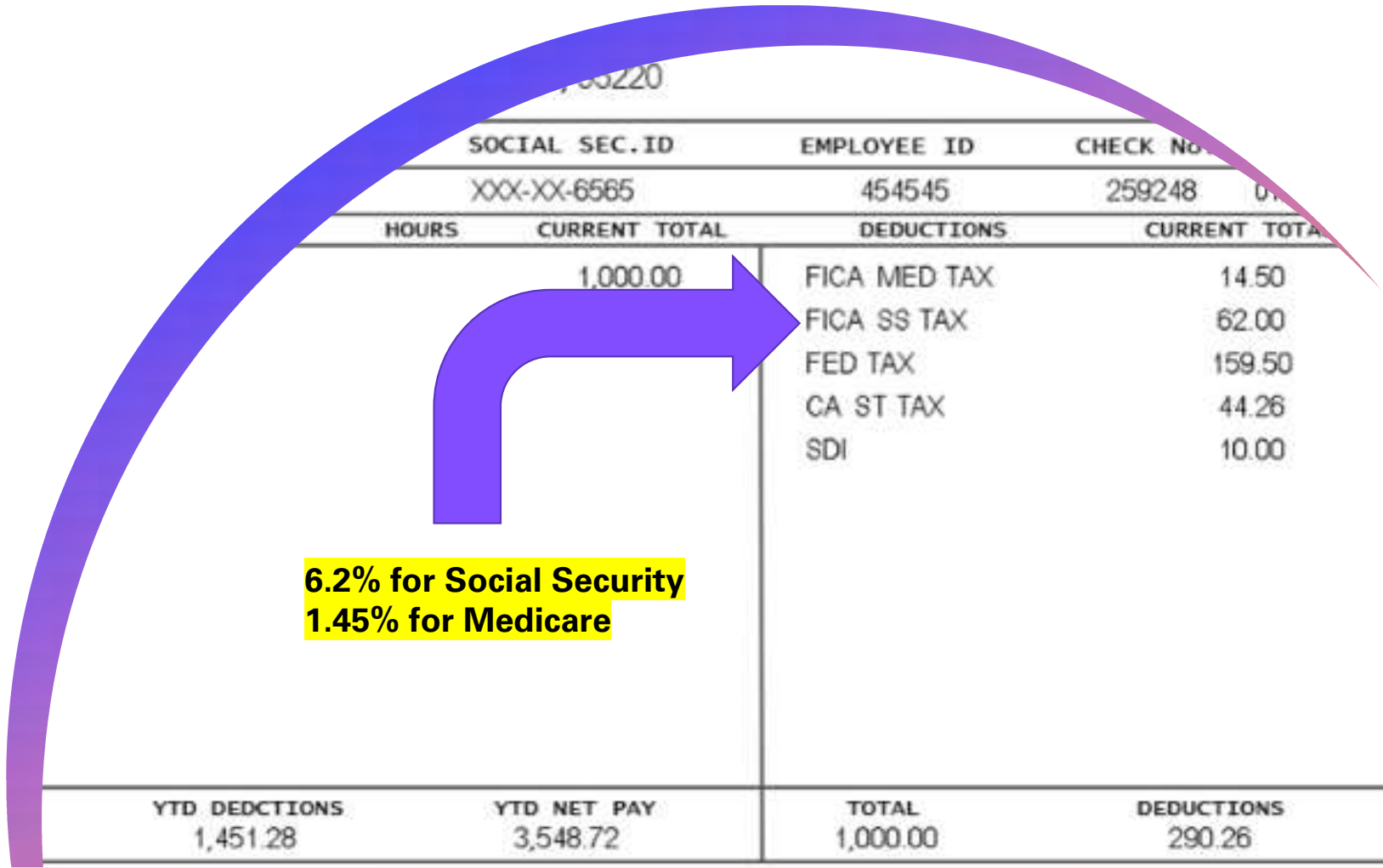
3,548.72

TOTAL

1,000.00

DEDUCTIONS

290.26



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



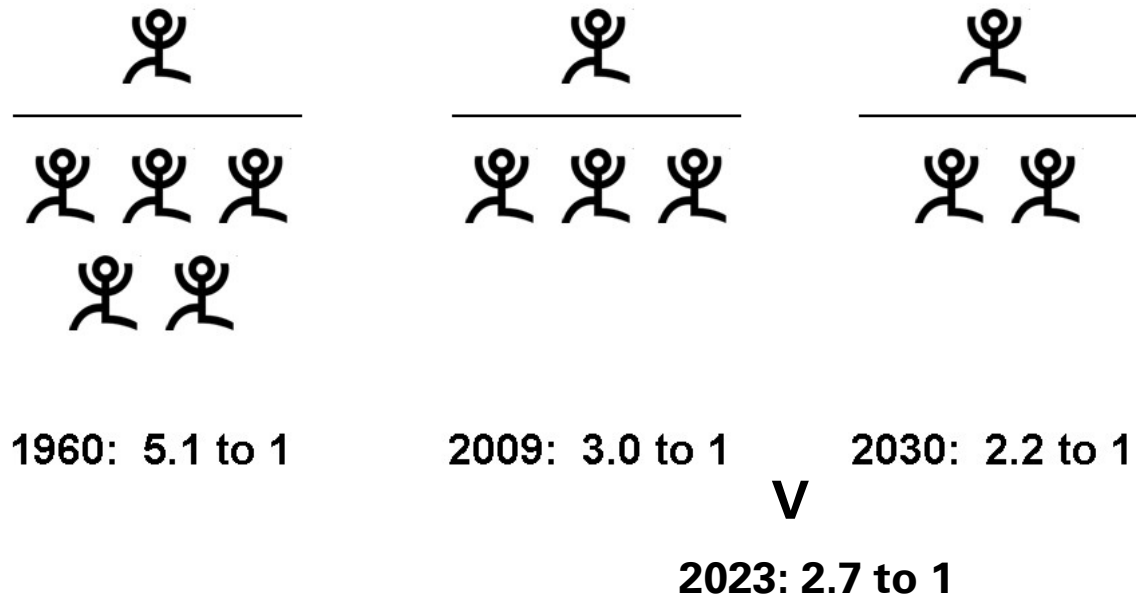
Employers pay 6.2% to the SS Trust Fund & 1.45% into Medicare

Social Security Trust Fund

Payments to retirees, disabled, survivors and dependents

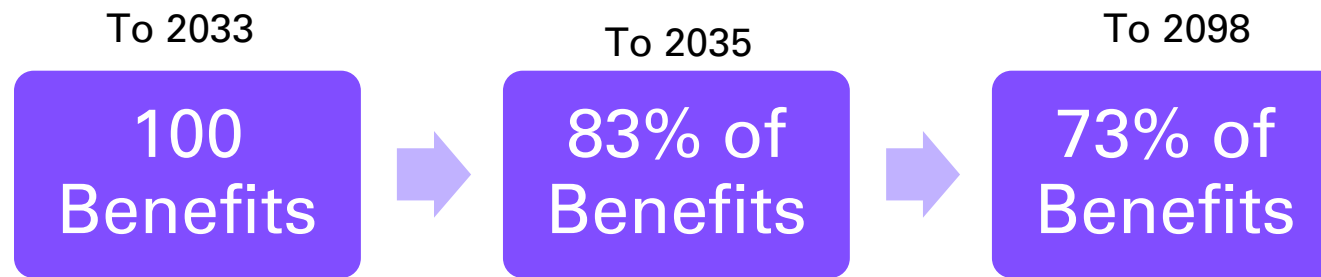
Any surplus taxes go to the SSTF, secured in the form of U.S. Treasury Bonds

Worker to beneficiary ratio



Source: Social Security Administration Trustees Report Table IV.B2
Ratio of covered workers to beneficiaries

Worst Case Scenario



Ideas to Fix the Funding Shortage

Cutting benefits by a certain percentage

Raising Full Retirement Age

Adjusting the Cost of Living Index

Increase payroll taxes

Raising the wage base limits for payroll taxes

Safe, accurate, FAST! Use

OMB No. 1545-0008

Employer (EIN) 44-1XXXXXX

1 Wages, tips, other comp. 16500.25

2 Social security wages 16500.25

3 Social security tips 16500.25

4 Medicare wages and tips 16500.25

5 Social security tips 16500.25

6 Advance EIC payment

7 Nonqualified plans

8 Statutory employee Retirement plan Third-party sick pay

9 Other

10 State wages, tips, etc. 16500.25

11 State income tax 404.26

12 Local wages, tips, etc.

13 State ID number XXXXXX-XX

14 Federal Tax Return, Internal Revenue Service, 20XX

15 Susan A. Quintana
1000 Old Club Rd SW
Albuquerque, NM 87105

16 44-1XXXXXX
17 444-XX-XXXX

18 Bookend Rd
Albuquerque, NM 87108

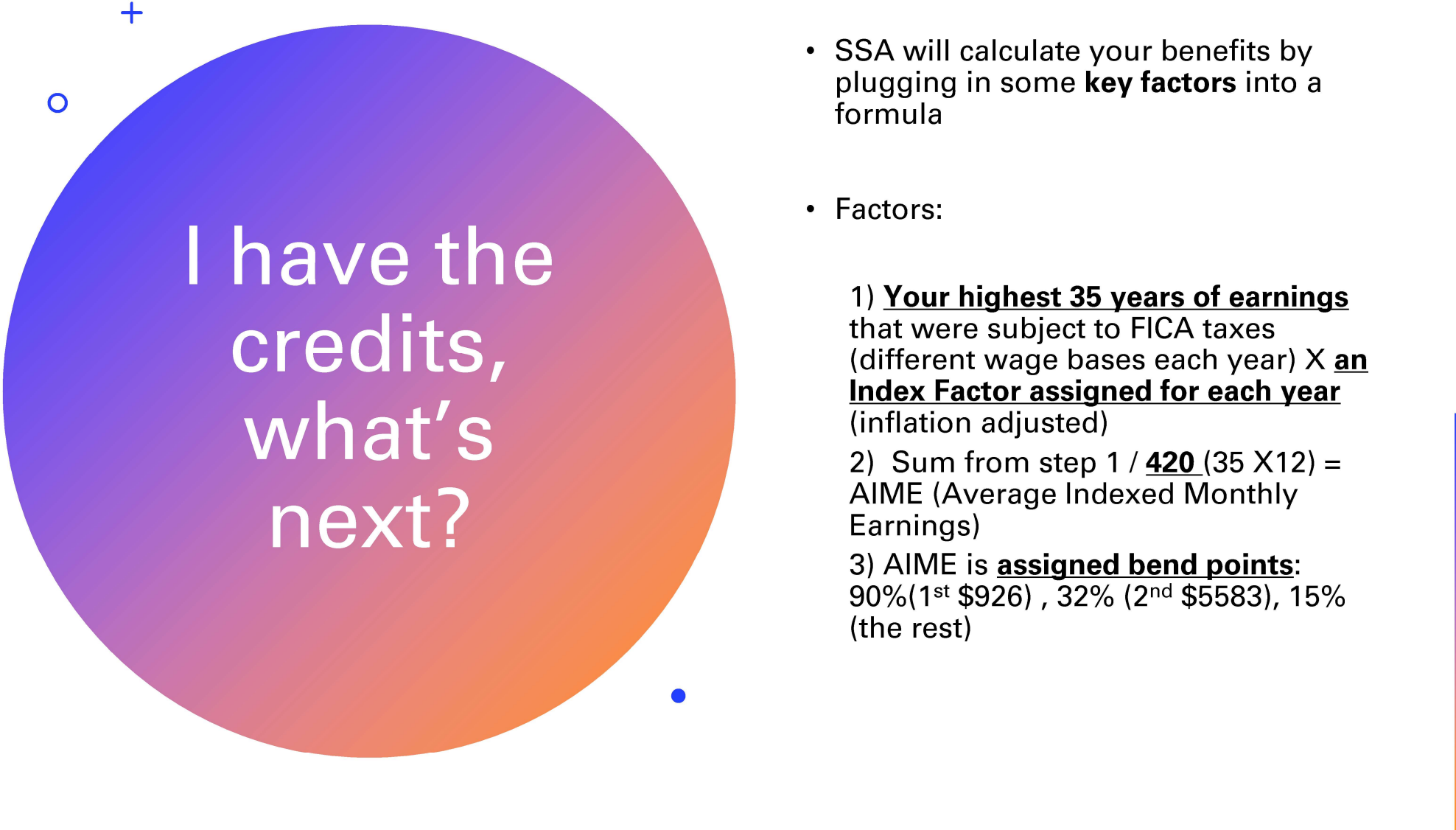
19 Way Books

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Eligibility – So how can I participate?

- Earn and accumulate 40 credits from your working years
- To earn one credit, you must earn **\$1,730** (2024)
- Max of 4 credits per year may be earned at any time during the calendar year



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 \$926) , 32% (2nd \$5583), 15% (the rest)

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	

1992	\$39,600		5.99	
1994	\$31,800		5.21	
1995	\$37,800		3.16	

2010	\$106,800		1.00	
2012	\$110,100		1.03	
2014	\$117,000		1.07	
2015	\$118,500		1.00	

Here is the math

Sum of
the
indexed
earnings : **4362377.85**

Step 1: Divided by /420=
 10386.61

Step 2: First \$960 *90% **864** PIA: **2719.56**

 Between 960 and
Step 3: 5785*32% **1165.32**

Step 4: Over 5785*15% **690.24**

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CLEAR AS MUD?




**ATTEMPT TO WORK
FOR 35 YEARS OR
MORE**



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 (most likely .15)
- Answer is the increase in monthly benefits!




What is
your
benefit
based on?

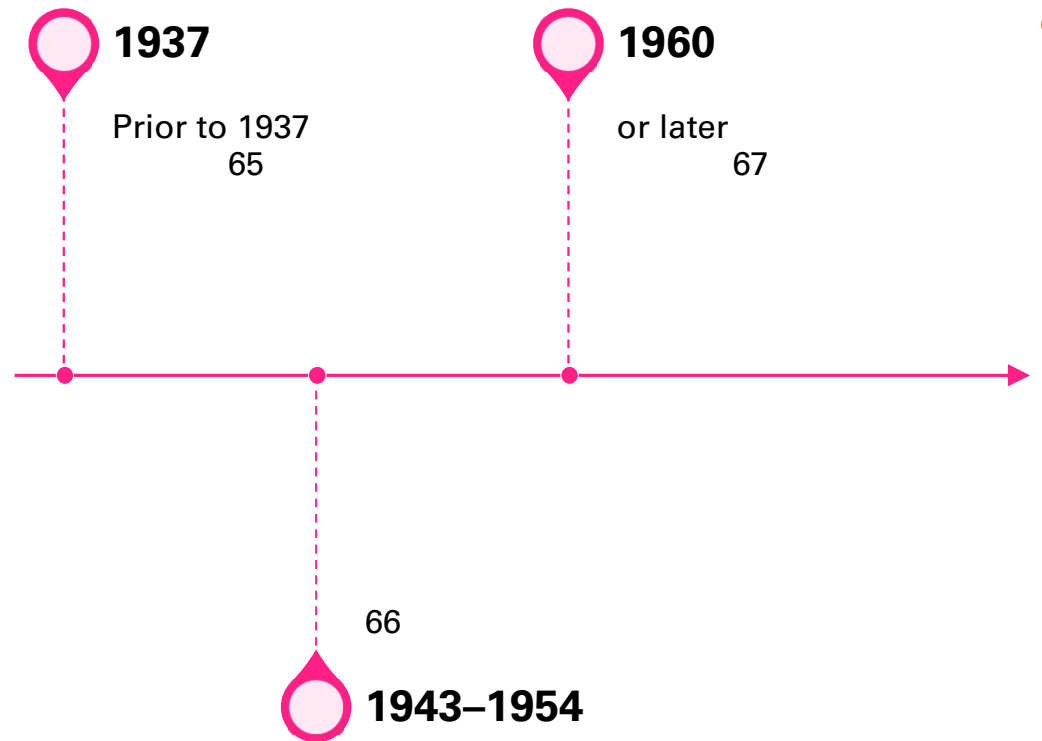
Your **PIA** (Primary Insurance Amount)

=

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



Full Retirement Age





Year of birth	Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Impact of early retirement



Benefits can start as early as age 62

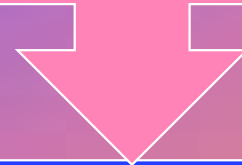
5/9 of 1% reduction in PIA benefit per month for the first 36 months retired before FRA

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)



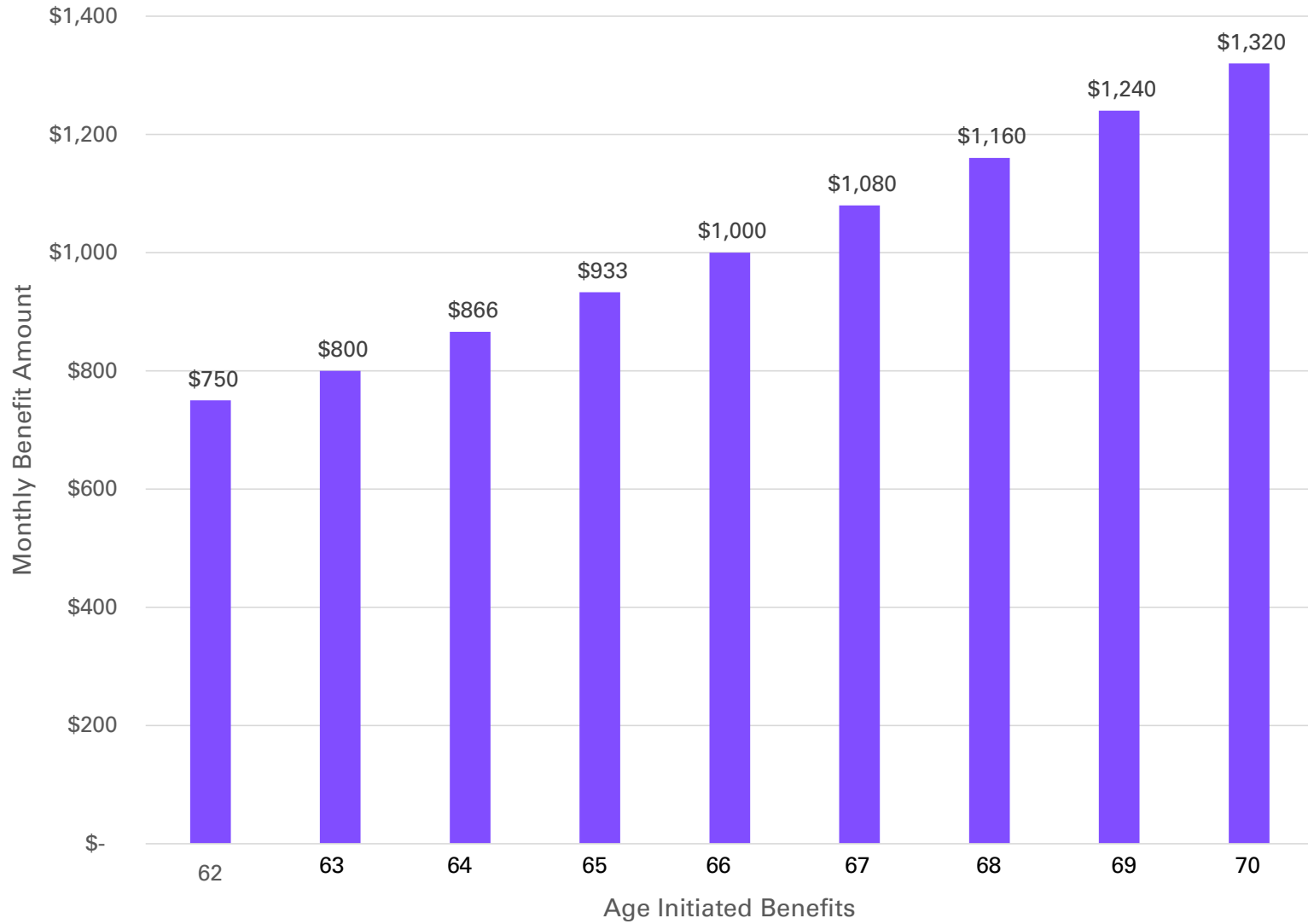
Delayed Retirement Credit

1939-1940	7.0%	1941-1942	7.5%	1943 and later	8.0%
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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...
\$20,560 Per Year in the calendar years before you reach FRA	1/2
\$57,420 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

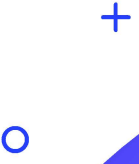
Passive income (rental home)

Investment interest


Investment dividends


**DON'T LET THE
EARNINGS TEST
STOP YOU FROM
WORKING**





How are benefits taxed?



- **Your Adjusted Gross Income**
+ Nontaxable interest (Muni Bonds)
+ $\frac{1}{2}$ of your Annual Social Security benefits
 - = Your "*provisional income*"
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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%

ORDINARY INCOME TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	\$0 - \$23,200	\$0 - \$11,600
12%	\$23,201 - \$94,300	\$11,601 - \$47,150
22%	\$94,301 - \$201,050	\$47,151 - \$100,525
24%	\$201,051 - \$383,900	\$100,526 - \$191,950
32%	\$383,901 - \$487,450	\$191,951 - \$243,725
35%	\$487,451 - \$731,200	\$243,726 - \$609,350
37%	Over \$731,200	Over \$609,350

2024 Tax Rate Schedule

**SPOUSAL BENEFITS
DO NOT INCREASE
PAST FULL
RETIREMENT AGE**



**FILING FOR SPOUSAL
BENEFITS UNDER FRA
WILL CAUSE YOUR
BENEFITS TO BE
REDUCED**



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What is voluntary suspension of benefits?

- This means you are voluntarily suspending benefit payments at your full retirement age in order to earn higher benefits for delaying.
- But during the voluntary suspension, benefits to your spouse will also be suspended
- And during the voluntary suspension, you also cannot receive spousal benefits
- Divorced spouses are the exception (simply follow the two year rule)

**STAY MARRIED FOR
AT LEAST 10 YEARS**



**A LARGER BENEFIT
AWAITS IF YOUR
SPOUSE PASSES
AWAY**



**FOR WIDOWS AND
WIDOWERS, YOU
CAN SWITCH
BENEFITS**



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	32.5%	81%	32.5%
Spouse age 60	n/a	71.50%	n/a

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
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

What's inside...

Your Estimated Benefit	2
Your Earnings Record	3
Some Facts About Social Security.....	4
If You Need More Information.....	4
To Request This Statement In Spanish (Para Solicitar Una 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 change, by 2037 the Social Security Trust Fund will be exhausted* and there will be enough money to pay only about 76 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. Astrue
Commissioner

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

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



Create your personal *my* Social Security account today

With your free, personal *my* Social Security account, you can receive personalized estimates of future benefits based on your real earnings, see your latest *Statement*, and review your earnings history. It even makes it easy to request a replacement Social Security Card or check the status of an application, all from the comfort of your home or office!

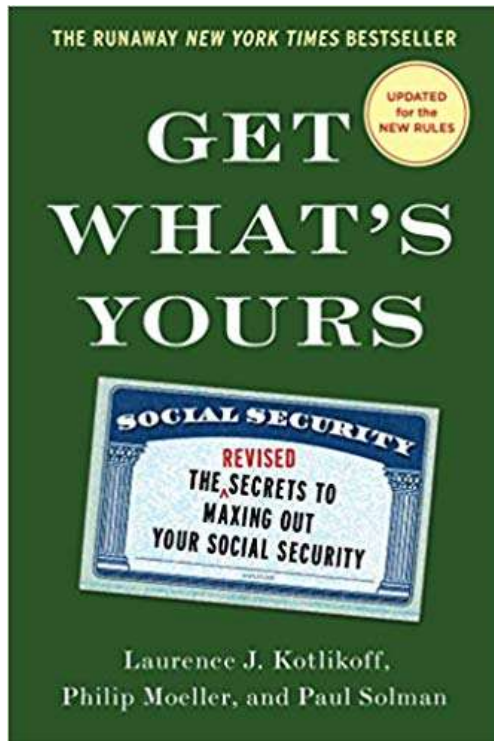
[CREATE AN ACCOUNT →](#)

[SIGN IN →](#)

[FINISH SETTING UP YOUR ACCOUNT →](#)



www.ssa.gov/myaccount



Looking for extra tips?

- Author: Larry Kotlikoff, Phillip Moeller, and Paul Solman

Questions?

