Intro to Social Security
Retirement Income Planning
What You Will Learn

• Social Security payments are not automatic
• Social Security Planning is important for your financial security in retirement
• Planning can get complicated and you may need help
• You may leave money on the table if you do not plan
• Social Security employees do not have all the answers
Terms to Know

• **NRA** – NORMAL Retirement Age
  - Age 66 if born between 1943 and 1954
  - Two months added to age 66 for each year between 1955 and 1959
  - Age 67 if born in 1960 or later

• **PIA** – Primary Insurance Amount
  - Benefit amount computed at age 62 that will be paid at FRA

• **COLA** – Cost of Living Adjustment
  - Percent of increase in benefit
  - Declared in October and paid beginning in January of the following year*

*Amount is based on the increase in the Consumer Price Index.
Social Security Trustees use 2.8% in their planning*
Social Security Retirement

- Lifetime benefits
- Cost of Living Adjustments
Who Can Collect?

• Worker (number holder)

• Spouse

• Divorced Spouse

• Surviving Spouse
Worker

- Amount depends on earnings while working and the age when benefits begin
- Weighted average of top 35 earning years - the PIA
- Minimum age to collect is 62 – reduced benefit
- Maximum age 70
- Between NRA and age 70 amount increases by 8%* plus COLA

* called Delayed Credits
Current Spouse

• Worker must file

• Entitled to 50% of Worker’s PIA at Spouse’s NRA

• Entitled to a sliding percentage of Worker’s PIA based upon Spouse’s age at the time of their filing for benefits
Divorced Spouse

• Worker must be age 62
• Marriage must have lasted for 10 years
• Spouse must be currently unmarried
• Entitled to 50% of Worker’s PIA at Spouse’s age 66
• Entitled to 35% of Worker’s PIA at Spouse’s age 62
• Worker will not be notified
• Both divorced spouses can collect on each others record
Survivor

• Must have been married for 9 months

• Not available if Survivor remarries before age 60

• Entitled to 100% of the Worker Spouse’s benefit at Survivor’s age 60 (50 if disabled)

• Divorced Spouse Survivor benefit is available if marriage lasted 10 years
Earnings Test

• If collecting before NRA, $1 in benefits will be withheld for every $2 that is earned over $16,920 (in 2016)
• In the year that you reach NRA you may earn $44,880
• No Earnings Test after NRA
Income Tax

• A portion of Social Security may be subject to Income Tax

• The amount and the rate will depend on other income
Worker Planning – Should You Wait?

• Example of benefit amounts at different beginning ages:*
  – Age 62 $1,125
  – Age 66 $1,675
  – Age 70 $2,470

• Example of benefit amounts at age 80 for different beginning ages:*
  – Age 62 $1,849
  – Age 66 $2,460
  – Age 70 $3,255

*Assumes 2.8% COLA and 8% Delayed Credit
Spousal Planning Options

• Spousal Planning Options have been limited by the elimination of the Deferred Benefits Option

• Each individual now needs to decide when they wish to elected to receive benefits based upon their age and amount of benefit

• If one spouse elects to receive SS prior to their normal retirement age their spouse may receive a sliding scale amount as well

• The spouse that has elected to receive benefits can no longer defer the receipt of their own benefit while their spouse is still receiving their proportionate share
Survivor Planning Options

• Collect Survivor Benefits to age 70, then switch to own worker benefit

• Collect Divorced Spouse benefits, then switch to Survivor or own worker benefit

• Collect Worker benefits, then switch to Survivor benefit

• Decision depends on PIAs, age, need for income, retired or working, if currently married
What You Learned About Social Security Retirement Planning

• Work longer for increased benefits
• Delay collecting for increased benefits
• Survivor Benefits are meaningful for lower earning spouse
• Decision about when to collect is individual – many factors
• There are pitfalls to claiming before NRA
• Some decisions are reversible, some are not
• These decisions are complicated. You may need help
www.ssa.gov

• You can get projected benefits at the Social Security website
• Click on Estimated Benefits and enter your info
• You can print your statement - they are no longer being mailed
• Social Security employees are trained to help you get the highest benefit
• You may not want the highest benefit – if you are planning on delaying and switching later
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