

SOCIAL SECURITY DECISIONS



Decisions you make about how and when you receive Social Security retirement benefits can significantly impact your retirement security.



Review the basics



Review strategies to maximize your Social Security benefits

Your Projected Retirement Benefit

- ▶ Get your statement online: www.ssa.gov/mystatement.
- ▶ If you and your employer did not pay into Social Security during certain working years, your benefit may be reduced. Your Social Security statement may not reflect this reduction.

LEARN MORE: www.ssa.gov/wep

When Should You Begin Benefits?

- ▶ When you begin benefits may significantly impact what you, and your spouse, receive.
- ▶ You can receive permanently reduced benefits as early as age 62.
- ▶ You can receive unreduced benefits at your full retirement age, which is tied to your year of birth.
- ▶ You can receive increased benefits — an 8% delayed-retirement credit — for each year you delay beyond your full retirement age, up to age 70.

If you begin benefits at age...	62	66	70
Examples of monthly benefit	\$1,000	\$1,333	\$1,760

LEARN MORE: www.ssa.gov/retire2/otherthings.htm

Social Security benefits can increase through yearly cost-of-living adjustments, which provide more of a boost if you delay benefits and less of a boost if you begin benefits early, because they are calculated as a percentage of your benefit payment.

LEARN MORE: www.ssa.gov/cola

- ▶ Delaying benefits past your full retirement age may make sense if you want:
 - ▶ To reduce the risk of running out of money in late retirement years
 - ▶ To maximize potential lifetime income if you live longer than average
 - ▶ Your spouse to potentially receive a larger survivor benefit for the rest of his/her life

Plan for a long life? There is a 50% chance at least one spouse of an age 65 couple will live beyond age 92.

LEARN MORE: www.ssa.gov/planners/lifeexpectancy.htm

- ▶ Receiving benefits as early as age 62 may make sense if:
 - ▶ You need the money to live on.
 - ▶ You have a medical condition expected to shorten your life expectancy.
 - ▶ Your investments have declined in value and you need time for them to recover before withdrawing.

LEARN MORE: www.ssa.gov/retire2/agereduction.htm

- ▶ you continue to work before reaching full retirement age? Benefits are reduced, up to \$1 for each \$2 earned above an annual limit, but they are unlikely to be “lost.” Your benefits are recalculated at full retirement age to give you credit for those months.

LEARN MORE: www.ssa.gov/oact/cola/rtea.html

If Married

- ▶ You can get benefits based on your own work record or you can receive up to 50% of your spouse's benefit, whichever is larger.

LEARN MORE: www.ssa.gov/retire2/yourspouse.htm

- ▶ If you did not pay into Social Security during certain working years, your spousal or survivor benefit could be reduced by 2/3 of your employer pension.

LEARN MORE: www.ssa.gov/gpo-wep

- ▶ Higher-earner spouses should carefully consider the risk of claiming before full retirement age, regardless of health, to avoid permanently reducing their lower-earner spouse's survivor benefit.

Surviving Spouses

- ▶ You can receive benefits based on a deceased spouse's work record, including:
 - ▶ The deceased spouse's full benefit if the surviving spouse has reached full retirement age.
 - ▶ A reduced benefit if the surviving spouse is younger than full retirement age, but at least age 60.

LEARN MORE: www.ssa.gov/pubs/10084.html

- ▶ Evaluate strategies to maximize benefits if you are younger than full retirement age.
 - ▶ If your benefit would be higher than your survivor benefit, consider whether to take the survivor benefit until you reach your full retirement age and then switch to your own benefit.
 - ▶ If your benefit would be lower than your survivor benefit, consider whether to start your benefit at age 62, at a reduced level, and then switch to a larger survivor benefit at full retirement age.

If Divorced

- ▶ You can receive up to 50% of what your ex-spouse would receive at his/her full retirement age, if:
 - ▶ You are not entitled to a higher benefit based on your own work record
 - ▶ You were married at least 10 years, have been divorced at least 2 years, and you are currently unmarried
 - ▶ Both of you are at least 62 years old.

If your ex-spouse claims benefits based on your work record, there is no impact on your benefit or your current spouse's benefits and it does not matter if you remarried.

LEARN MORE: www.ssa.gov/retire2/yourdivspouse.htm

- ▶ Evaluate strategies to maximize benefits — if you wait until your full retirement age you have more options.
- ▶ Begin benefits before full retirement age and you will receive whichever benefit is higher.
- ▶ Wait until full retirement age and receive a benefit based on your ex-spouse's record, regardless of amount, and then switch at age 70 to a benefit based on your record, which includes delayed-retirement credits.

Taxes

- ▶ Up to 50-85% of your Social Security benefit may be subject to federal income taxes.

1/2 your benefit

+ your Adjusted Gross income

+ nontaxable interest

= "your combined income"

- ▶ If your combined income is greater than \$25,000 (single filers) or \$32,000 (married filers): up to 50% is taxable
- ▶ If your combined income is greater than \$34,000 (single filers) or \$44,000 (married filers): up to 85% is taxable

LEARN MORE: www.ssa.gov/planners/taxes.htm

- ▶ Explore pros and cons of strategies that minimize taxation of Social Security benefits
- ▶ **Roth IRA or 457/401(k) contributions and conversions** — tax-free Roth withdrawals do not impact Social Security taxation. And Roth IRA assets are not subject to IRS required minimum distributions.
- ▶ Work with a tax professional each year as necessary to **coordinate recognizing capital gains and losses and coordinate withdrawals from different accounts** that are taxed at different rates.
- ▶ **Pay down debt** from taxable account assets that would otherwise generate taxable income

Additional Resources

- ▶ General information about Social Security retirement benefits: www.ssa.gov/retire2
- ▶ Retirement planning resources: www.icmarc.org/education
- ▶ Coordinate decisions you make about Social Security with your overall financial plan. Your ICMA-RC CERTIFIED FINANCIAL PLANNER™ can help point you in the right direction.