

34TH ANNUAL ISCEBS
Employee Benefits

Symposium

Social Security—What Benefit Professionals Need to Know

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How Many Baby Boomers Turn Age 65 Every Day?



Agenda

- Social Security Overview
- Who Is Eligible for Social Security?
- Claim Early for the Right Reasons
- Strategies to Boost Your Social Security Checks
- Resources
- Q&A

Social Security Overview

- Social Security reaches almost every family and at some point will touch the lives of nearly all Americans.
- Today, **164 million people** work and pay Social Security taxes.
- **50 million** people receive monthly Social Security benefits.



Who Collects Social Security?

- Retirees
- People who are disabled
- Survivors of workers who have died
- Dependents of beneficiaries



Social Security Taxes

	Social Security	Medicare
You Pay	6.2%	1.45%
Employer Pays	6.2%	1.45%
Self-Employed (pays both)	12.4%	2.9%

- Social Security taxes on earnings up to \$118,500 in 2015.
- Medicare taxes on all earnings.

Where Does the Money Go?

- When you work, **85 cents** of every Social Security tax dollar you pay goes to pay the monthly benefits to current retirees and beneficiaries.
- The other **15 cents** pays the cost of the administration of Social Security.



How Do You Become Eligible for Social Security?

- As you work and pay taxes, you earn Social Security credits.
- Most people need **40 credits** (10 years of work) to qualify for benefits.
- Fewer credits are required for **disability benefits or for survivor benefits** when a worker dies.



What You Need to Know About Benefits

- Social Security replaces a percentage of your earnings when you **retire, become disabled or die.**
- Social Security benefits are based on your highest 35 years of work.
- Visit the Social Security web site for an estimate of future earnings: **www.ssa.gov/estimator**.



If You Are a Widow / Widower

- Widows, widowers and dependent children are eligible for Social Security **Survivor Benefits**.
- Children must be under 18.
- A spouse without dependent children **must be age 60 or age 50 if disabled**.



If You Are Disabled

- If you cannot work because of a physical or mental condition that is expected to last at least one year or result in death, you may be eligible for **Social Security Disability**. The disability determination process can be long and difficult.
- Spouses and dependent children will also receive benefits if eligibility is approved.



If You Are Divorced

If you are divorced, you may qualify for benefits on your ex-spouse's earnings if you:

- ✓ Were married for at least **10 years**
- ✓ Have been divorced for **at least 2 years**
- ✓ Are at least **age 62**
- ✓ Are **unmarried**
- ✓ Are **not eligible** for an equal or higher benefit based on your own work

When Should I Retire?

Choosing when to retire is one of the most important decisions you will make in your lifetime. If you choose to retire when you reach full retirement age or FRA you will receive your full Social Security benefit amount.

But, if you retire and claim early, you will receive reduced benefits.



Average and Maximum 2015 Monthly Social Security Benefits

Retired Worker	\$1,294
Retired Worker w/aged spouse	\$2,111
Disabled Worker	\$1,145
Disabled Worker w/spouse/child	\$1,915
Widow/Widower (must be age 60)	\$1,243
Young widow w/two children	\$2,624
Maximum (at full retirement age)	\$2,642

Full Retirement Age

Year of Birth	Full Retirement Age
1937 or earlier	65
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 or later	67

Reasons for Waiting to Claim

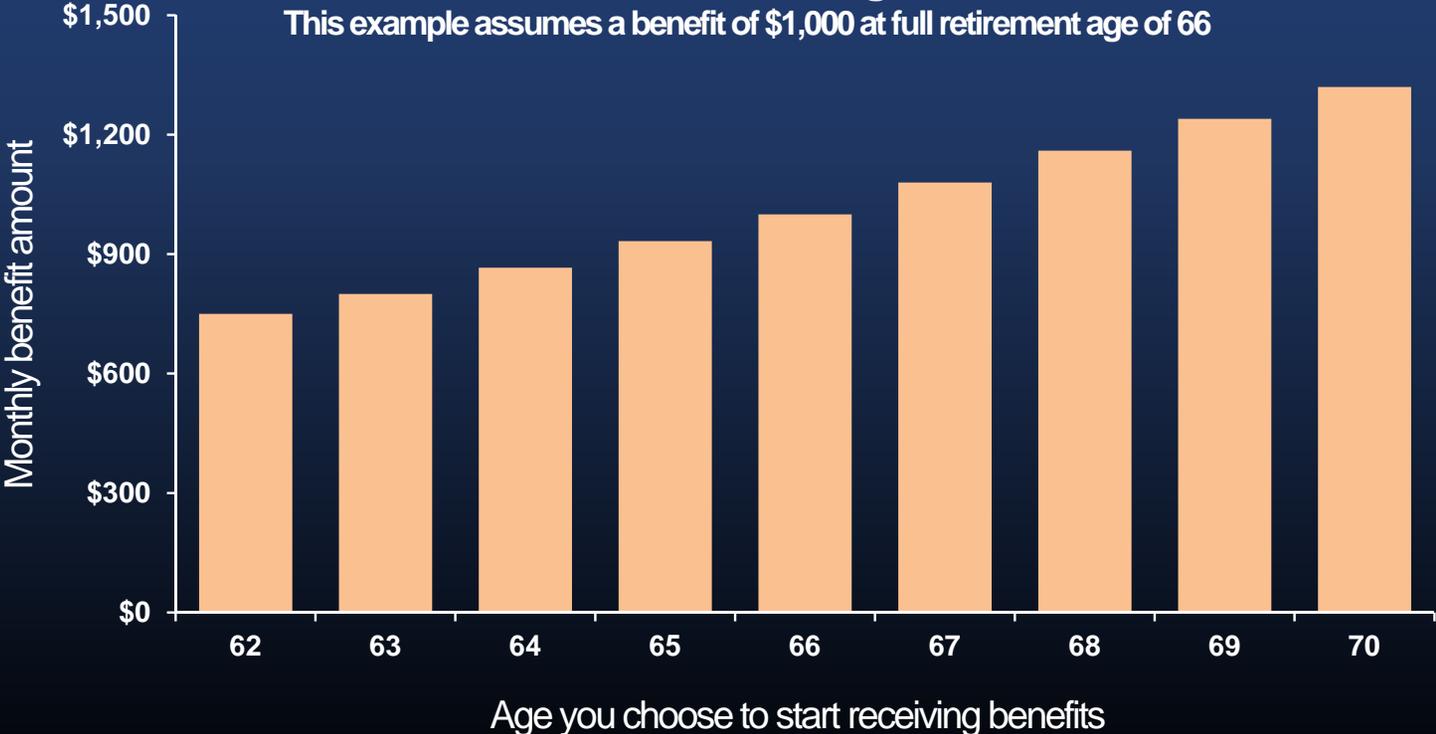
- 70% of people take Social Security before their full retirement age.
- On average, **you'll receive 25% less if you take benefits early.**
- For every year you delay claiming, your **benefits increase about 8% over the amount you would receive at 62.**



Monthly Benefit Amounts

Monthly benefit amounts differ based on the age you decide to start receiving benefits

This example assumes a benefit of \$1,000 at full retirement age of 66



Source: [socialsecurity.gov](https://www.socialsecurity.gov)

Don't Claim Early for the Wrong Reasons

Myth 1: Social Security won't be there.

Truth: Social Security finances are stronger than many people fear. The system has enough money to pay all scheduled benefits on time for more than 25 years.

Don't Claim Early for the Wrong Reasons

Myth 2: I won't live that long.

Truth: Most people underestimate how long they will live.

- The average 65-year-old man will live another 18 years
- The average 65-year-old woman another 20.
- Of all 65 year olds, 1 in 4 will live to be 90.
- For the average 65-year-old couple, there is a 47% chance that one will live to be age 90.

*National Center for Health Statistics

Don't Claim Early for the Wrong Reasons

Myth 3: If I take payments early at age 62, I will receive more money over the long-term.

Truth: Working longer means more money to put away for retirement and it increases your Social Security monthly payments. Your benefits will be more than 30% higher if you wait to full retirement age or 70% higher if you wait to age 70.

Think About Lifetime Benefits

- Joe and John can begin collecting \$1,500 monthly from Social Security at age 62, or \$2,640 a month at age 70.
- Both live to 92. If Joe claims benefits at 62, his lifetime total will be \$540,000. If John waits until 70, he'll net \$696,960—
almost \$157,000 more!



Reasons for Waiting to Claim

- Many don't realize the long term financial implications of taking Social Security early.
- On average, for every year you wait to collect, your benefit will **increase by 8%**.
- Also, waiting to collect **increases survivor benefits**.

Spousal Benefits

- Spouses are entitled to Social Security benefits **up to 50% of the higher earner's** full benefit if that amount is higher than benefits based on his/her own working record
- Benefits are reduced for spouses who collect early.



Spousal Benefits

- The lower earning spouse must wait until full retirement age to get the full 50%.
- **Example:** Jane, is the lower earning spouse whose full retirement age is 66. If she files at age 62 she would only be eligible for 35% of Bob's higher benefit.



Spousal Options to Increase Benefits

File and Suspend

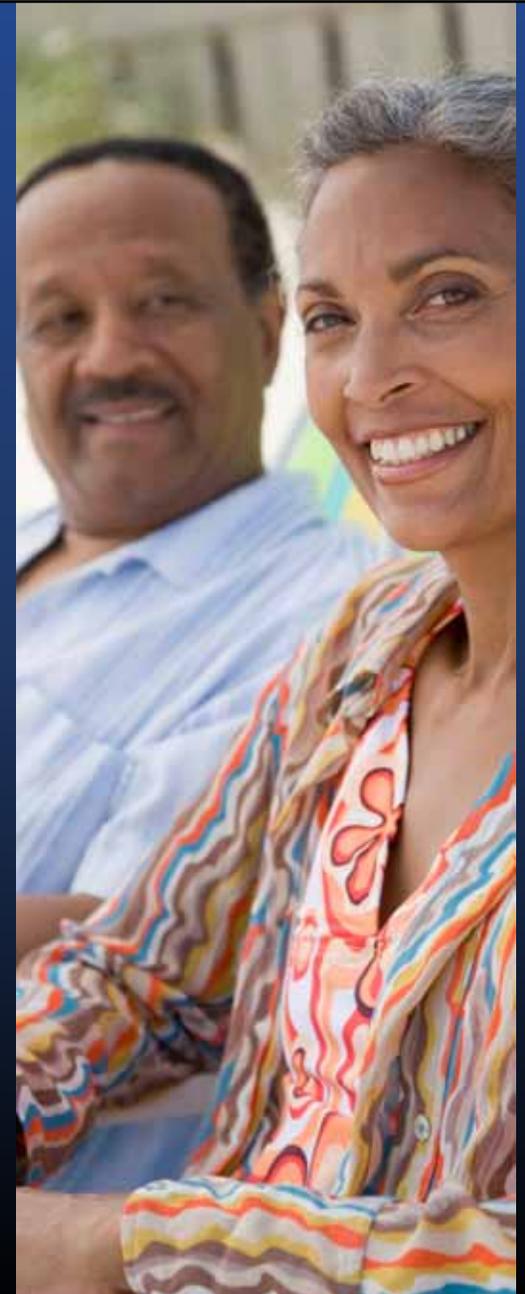
This strategy works well for married couples where one spouse did not work or earned less than the other. The lower earning spouse can not receive spousal benefits until the higher earner files for benefits.

Example—File and Suspend

Jane and Bob are both age 66. Jane has been a homemaker and Bob is a high earner. Bob would like to continue to work until age 70. Since he is FRA (full retirement age) he can elect to file for his full retirement benefit of \$2,000 and ask to suspend his benefit. His benefit will continue to grow.

Jane will receive 50%, or \$1,000, of Bob's full retirement benefit.

Jane's benefit will not increase later with Bob's delayed retirement credits.



Spousal Options to Increase Benefits

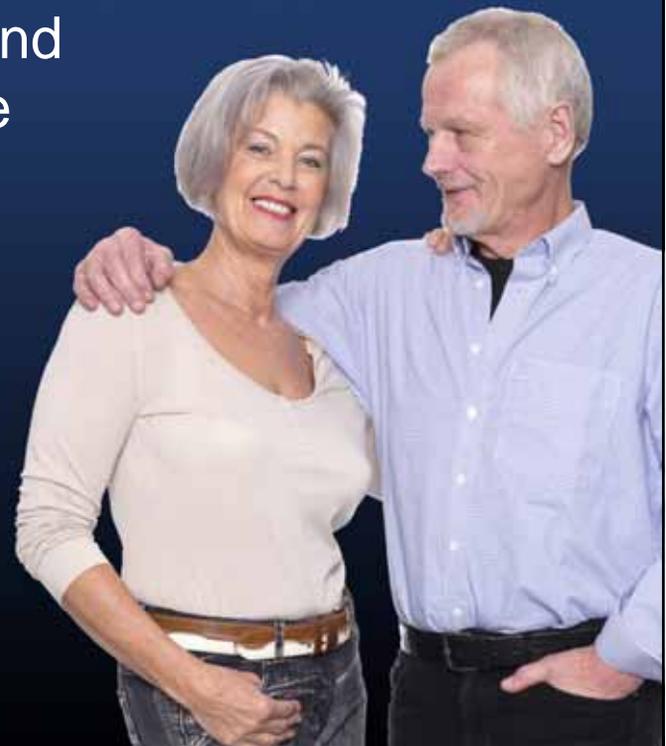
Claim Twice (Restricted Application)

- Married couples who have both worked and have reached their full retirement age can claim Social Security twice; first as a spouse and then later using their own work record.
- A person may choose to sign up for spouse's benefits at their full retirement age and continue accruing delayed retirement on their own work record.

Example—Claim Twice (Restricted Application)

Alice and Jim have both worked and been high earners. Alice would like to retire and Jim wants to continue to work. Jim can file for his benefits and suspend them. In turn Alice can file a restricted application electing spousal benefits only allowing her to claim 50% of Jim's benefit = \$1,000.

Alice's own benefit will continue to grow. She can elect to drop spousal benefits and take her own higher benefit later.



Survivor's Benefits

- When a married beneficiary dies the lower benefit ends.
- **Jane and Bob**—Bob is now collecting \$2,519.04 per month and Jane is collecting \$1,000 per month 50% of Bob's benefit at age 66.
- When Bob dies Jane will receive Bob's benefit of \$2,519.04. She will not receive both. If Jane dies first. Bob will continue to receive his benefit, but not both.
- **Alice and Jim** are now collecting \$2,742.57 each. When one dies one check will stop.
- Increasing survivor benefits is one reason to consider delaying collecting benefits.

Your Benefits May Be Taxable

- Some Social Security beneficiaries pay taxes on their benefits. **About 1/3 pay taxes.** You will have to pay taxes if your federal tax return is more than \$25,000 for individual filers and more than \$34,000 for joint filers.
- 27 states exempt Social Security from state income taxes.

When Is the Right Time to Claim Benefits?

4 Things to Consider...

- **Your Health**—If you are in poor health, you might elect to collect Social Security early.
- **Your Marital Status**—If you are married, you may want to delay to increase survivor benefits.
- **Your Financial Situation**—If you need income, take your benefits.
- **Your Tax Situation**—If you or your spouse are working and collecting Social Security benefits, your income will likely exceed the federal income limits.



Can I Work and Claim Benefits?

- **Yes.** If you wait until full retirement age to collect benefits, your benefit will not be reduced regardless of your earnings.
- If you claim early (not reached FRA) and continue to work, there are some considerations. **For every \$2 in earnings, \$1 will be deducted from your benefit over the annual limit \$15,720.**
- You do not “lose” benefits when you work. Your benefits will be recalculated to a higher amount when you reach full retirement age.

Likely Changes to Social Security

- **Means testing** for high income seniors
- **Retirement age may increase;** 64 for early and 70 for full retirement age (over many years)
- **Reduction in annual COLA**
- **Increase in wage cap—** currently \$118,500

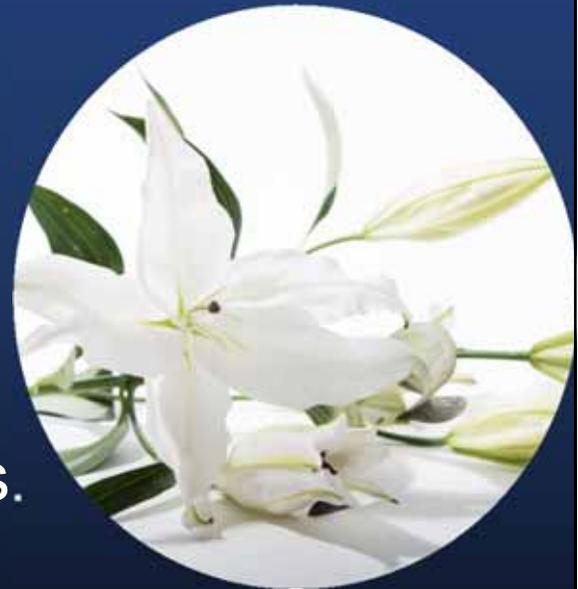
*Money.usnews.com; P. Moeller, 7/25/2011



Death Benefit

If you have enough credits, a **one-time payment of \$255** will be made after your death.

This benefit may be paid to your spouse or minor children if they meet certain requirements.



How Do I Apply for Social Security?

- You can enroll **online** at www.socialsecurity.gov.
- You can **call** 1-800-772-1213.
- You can make an **appointment** to visit any Social Security office to apply in person.

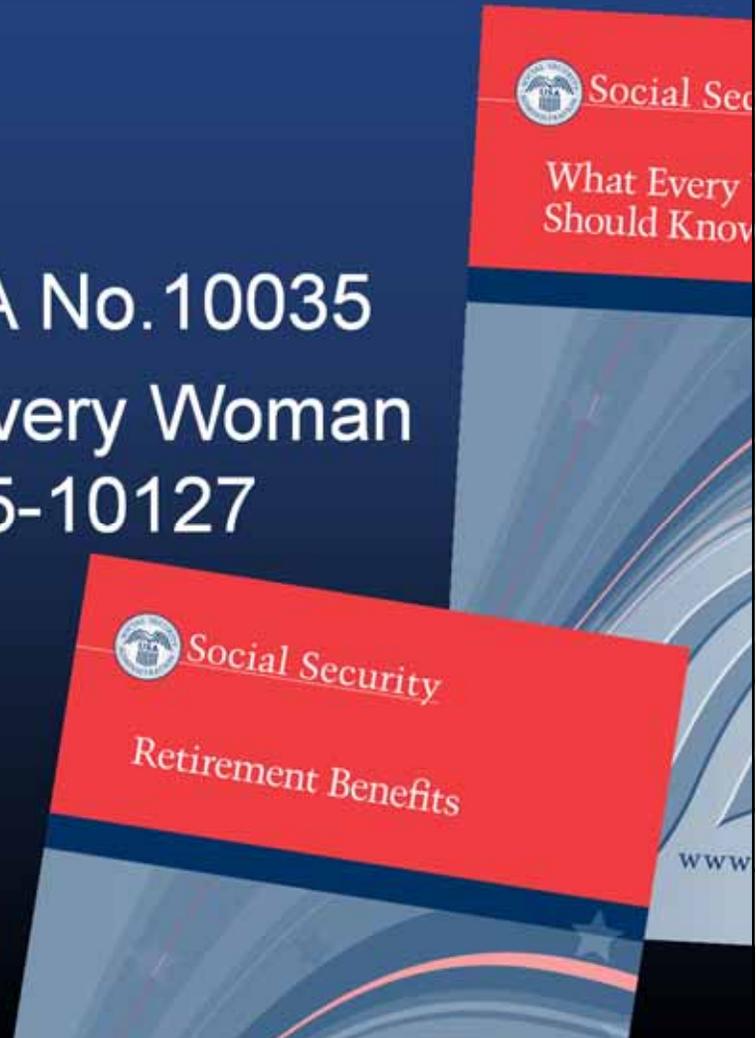


Key Messages

- Consider the **long-term financial impact** of taking benefits early.
- You will likely **live longer than you think**.
- If **married**, look at options to boost your benefits.
- **Widows/widowers** receive the highest benefit after a spouse's death.

Resources

- www.socialsecurity.gov
- “Retirement Benefits” SSA No.10035
- “Social Security—What Every Woman Should Know” SSA No. 05-10127
- Social Security Estimator
www.ssa.gov/estimator



Thank You!

Questions or Comments?