# Social Security and Retirement Planning:
# A Hit or Myth Proposition

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**Czarnowski Consulting: Expert Answers to Your Social Security Questions**

**www.CzarnowskiConsulting.com**

# A Foundation for Planning Your Future

# How Do You Qualify for Retirement Benefits?

➢ **You need to work to earn Social Security "credits"**

➢ **In 2015, you get one credit for each $1,220 in earnings**

➢ **You can earn a maximum of 4 credits per year**

<u>**Example**</u>**: To earn 4 credits in 2015, you must earn at least $4,880. Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.**

# Full Retirement Age

| Year of Birth | Full Retirement Age |
|---|---|
| 1937 or earlier | 65 |
| 1938 | 65 & 2 months |
| 1939 | 65 & 4 months |
| 1940 | 65 & 6 months |
| 1941 | 65 & 8 months |
| 1942 | 65 & 10 months |
| 1943 – 1954 | 66 |
| 1955 | 66 & 2 months |
| 1956 | 66 & 4 months |
| 1957 | 66 & 6 months |
| 1958 | 66 & 8 months |
| 1959 | 66 & 10 months |
| 1960 or later | 67 |

# Your Age At The Time You Elect Retirement Benefits Affects the Amount

## If You're a Worker and Retire:

➢ **Before your Full Retirement Age (FRA), you get a reduced monthly payment. 62 is the earliest age at which you can begin to collect benefits.**

➢ **At your FRA, you get your full benefit amount.**

➢ **Past your FRA, you get an even higher monthly payment. However, you can only earn these Delayed Retirement Credits (DRCs) until age 70.**

# Your Age At The Time You Elect Retirement Benefits Affects the Amount

**For example, if you were born from 1943 through 1954:**

➤ **Age 62     75% of benefit**

➤  **Age 66    100% of benefit**

➤ **Age 70     132% of benefit**

# How Social Security Determines Your Benefit

## Social Security benefits are based on earnings

➢ **Step 1** -Your wages are adjusted for changes in wage levels over time

➢ **Step 2** -Find the monthly average of your 35 highest earnings years

➢ **Step 3** -Result is "average indexed monthly earnings"

# 2015 Retirement Benefit Computation Example

**If your average monthly earnings are   =   $5,500**
**Then your monthly benefit would be     =   $2,150**

**Average Monthly Earnings**          **$5,500**

**90% of First**                              $826   =   $743

**32% of Earnings over $826 through $4,980**   $4,154   =   $1,329
   **($4,980 - $826 = $4,154)**

**15% of Earnings over $4,980**                $520   =   $78
                                              _____      _____
                                          **$5,500**   **$2,150**

# What You Can Expect at Full Retirement Age
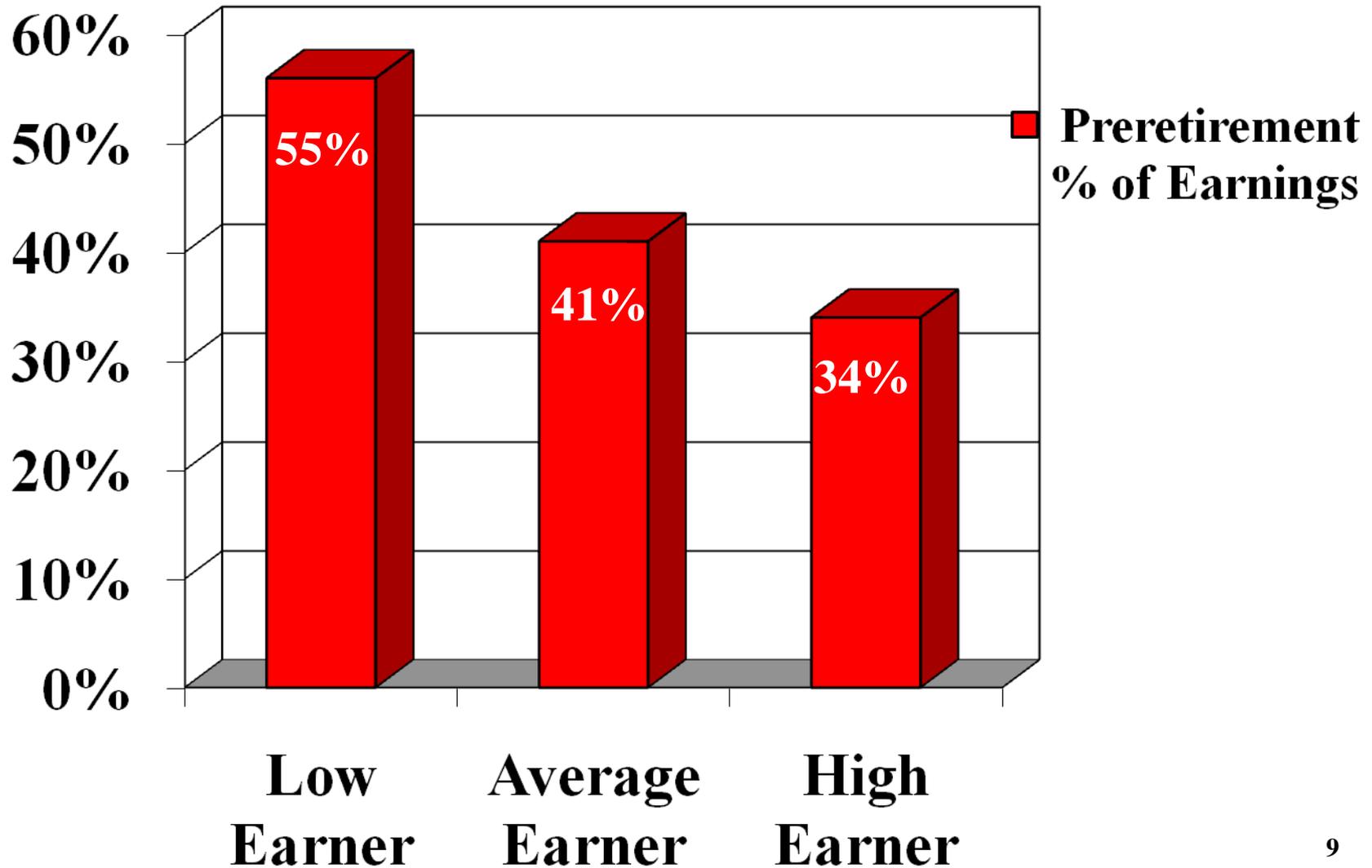
# Spouse's Benefit Computation

➢ **Benefit is 50% of worker's FRA amount. DRCs have no impact.**

➢ **If spouse's own benefit is less than 50% of the worker's, the benefits are combined.**

➢ **Benefit amount is reduced if spouse is under FRA.**

➢ **Does not lower payment to worker.**

# In Addition to the Retiree, Who Else Can Get Benefits?

## Your Ex-Spouse

➢**Marriage lasted at least 10 years**

➢**Ex-spouse is 62 or older and unmarried** (you can be married)

➢**If you have been divorced at least two years, and you and your ex-spouse are at least 62, he or she can get benefits even if you are not yet retired**

➢**Ex-spouse's benefit amount has no effect on the amount you or your current spouse can get**

# Widow or Widower Benefit Computation

➢ **At full retirement age, 100% of deceased worker's benefit**

➢ **At age 60, 71.5% of deceased worker's benefit**

➢ **Reduced benefits on one record at age 60, reduced or unreduced benefit on other record at age 62 or older**

➢ **Full benefits to both widow or widower and divorced widow or widower**

# You Can Work & Still Receive Benefits

| If You Are | You Can Make Up To | If You Make More, Some Benefits Will Be Withheld |
|:---:|:---:|:---:|
| Under Full Retirement Age | $15,720/yr. ($1,310/mo.) | $1 for every $2 |
| The Year Full Retirement Age is Reached | $41,880/yr. ($3,490/mo.) | $1 for every $3 |
| Month of Full Retirement Age and Above | No Limit | No Limit |



**Note: If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.**

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# Your Benefits Can Be Taxable

➢ **Applies to those with a Modified Adjusted Gross Income (MAGI) above $25,000 (individual) or $32,000 (couple filing jointly).**

➢ **Up to 85% of benefits received could be treated as ordinary income for federal tax purposes.**

➢ **Proceeds are transferred back to Social Security.**

➢ **At the end of each year, people receive a *Social Security Benefit Statement* (Form SSA-1099).**

➢ **About half of people who get Social Security pay income taxes on their benefits.**

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# Windfall Elimination Provision

**If any part of your pension is based on work not covered by Social Security, you may be affected by the Windfall Elimination Provision.**

# Windfall Elimination Provision (WEP) - 2015

| Normal Computation | WEP Computation |
| --- | --- |
| 90% of the First $826 | 40% of the First $826 |
| 32% of the Next $4,154 | 32% of the Next $4,154 |
| 15% of the Remainder | 15% of the Remainder |

# What You Can Expect at Full Retirement Age
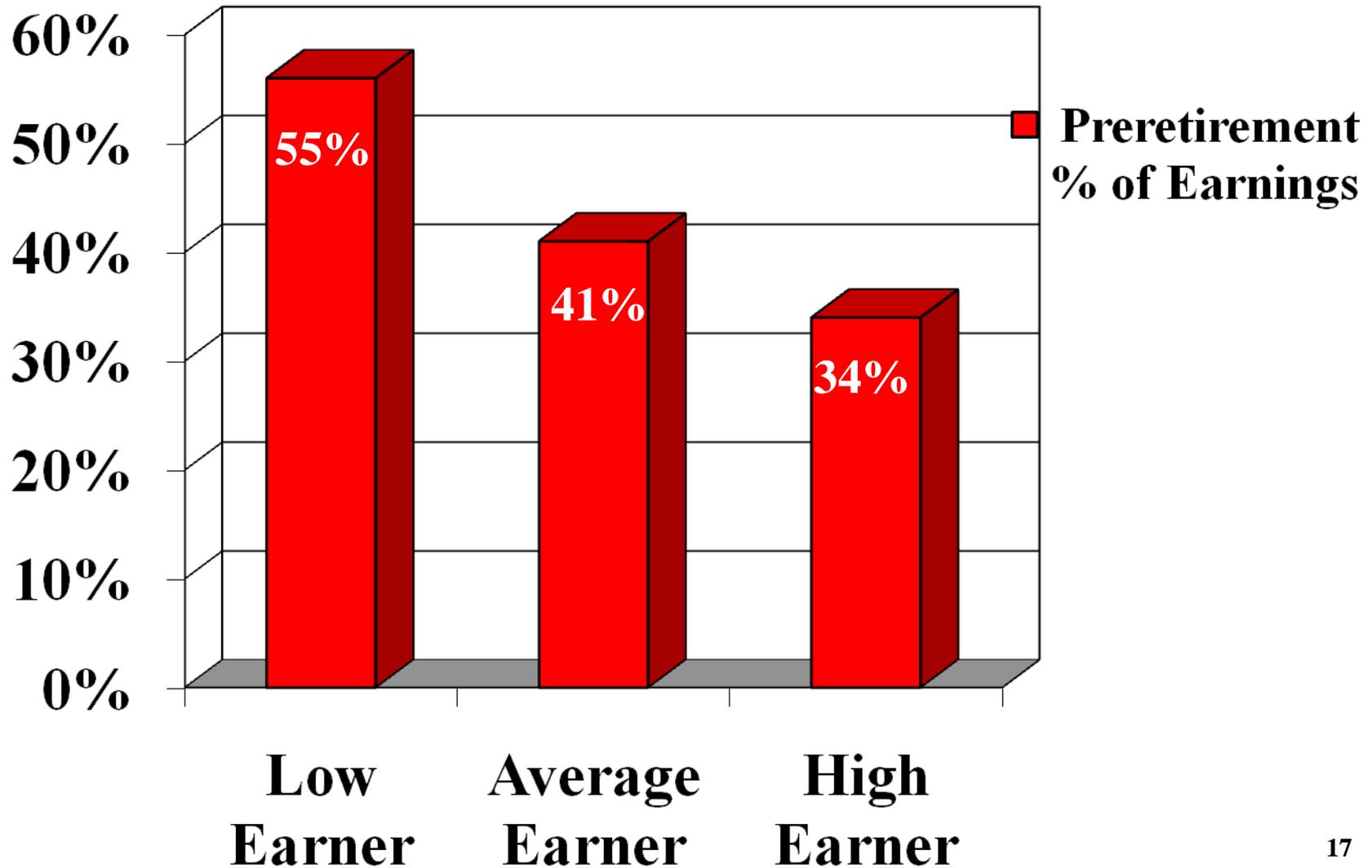
# Exception to the Windfall Elimination Provision

| Years of Social Security Coverage | % of First Factor in Benefit Formula |
|---|---|
| 30 or more | 90 |
| 29 | 85 |
| 28 | 80 |
| 27 | 75 |
| 26 | 70 |
| 25 | 65 |
| 24 | 60 |
| 23 | 55 |
| 22 | 50 |
| 21 | 45 |
| 20 or fewer | 40 |

➢ SSA's Online WEP calculator allows you to estimate your Social Security benefit.

# Government Pension Offset (GPO)

**If you receive a government pension based on work not covered by Social Security, your Social Security spouse's or widow(er)'s benefits may be reduced.**

# Government Pension Offset (GPO)

## Applies to Spouse's Benefits Only

2/3 of amount of government pension will be used to reduce the Social Security spouse's benefits

Example:
$900 government pension; 2/3 = $600
Social Security spouse's benefits = $500
No benefit payable by Social Security

➢ SSA's Online GPO calculator allows you to estimate your Social Security benefit.

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