
Social Security and Retirement Planning: A Hit or Myth Proposition

**New Hampshire Government Finance Officers
Association Presentation**

May 3, 2018

Kurt Czarnowski

Czarnowski Consulting: Expert Answers to Your Social Security Questions

www.CzarnowskiConsulting.com

A Foundation for Planning Your Future



The Social Security Statement

Prevent identity theft—protect your Social Security number
Your Social Security Statement
Prepared especially for Wanda Worker
www.socialsecurity.gov

January 4, 2010
See inside for your personal information

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

What's inside...
Your Estimated Benefits 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. Since 1935, 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 changes, 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
Michael J. Astrue
Commissioner

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

- The *Statement* provides you with benefit estimates and allows you to check your earnings history for accuracy.
- While mailings have resumed on a limited basis, you can also request a *Statement* anytime at:
www.SocialSecurity.gov/myaccount/

Use the Retirement Estimator

- Convenient, secure, and quick financial planning tool
- Immediate and accurate benefit estimates
- Lets you create “What if” scenarios based on different ages and earnings

The screenshot shows the 'Social SecurityOnline' website with the 'Benefit Calculators' header. The main title is 'About the Retirement Estimator'. It includes a search bar and navigation links like 'Home', 'Questions?', and 'Contact Us'. The page is divided into several sections: 'How the Retirement Estimator Works', 'Who Can Use the Retirement Estimator', and 'How Long Can You Stay On Each Page?'. The 'Who Can Use' section lists eligibility criteria such as having enough Social Security credits and being at least 62 years old. A 'Caution' box warns that estimates are based on current earnings and assumptions. A 'Note' at the bottom mentions JavaScript requirements. On the right side, there are two red-bordered boxes: 'Estimate Your Retirement Benefits' and 'What is the best age to start receiving retirement benefits?'. The footer contains the USA.gov logo, privacy policy links, and a date stamp from April 2009.

Social SecurityOnline
www.socialsecurity.gov

Benefit Calculators

Home Questions? Contact Us Search 60

About the Retirement Estimator

How the Retirement Estimator Works

The Retirement Estimator produces estimates that are based on your actual Social Security earnings record. Retirement estimates are just that, estimates. They will vary slightly from the actual benefit you may receive in the future because:

- Your Social Security earnings record is constantly being updated;
- Our calculators use different parameters and assumptions (e.g., different stop work ages, future earnings projections, etc.); and
- Your actual future benefit will be adjusted for inflation.

Caution: You cannot use the Estimator if you [block access](#) to your personal information.

Who Can Use the Retirement Estimator

You can use the [Retirement Estimator](#) if:

- You have enough [Social Security credits](#) at this time to qualify for benefits **and**
- You are **not**:
 - Currently receiving benefits on your own Social Security record;
 - A Medicare beneficiary;
 - Age 62 or older and receiving benefits on another Social Security record; **or**
 - Eligible for a [Pension Based on Work Not Covered By Social Security](#).

Estimate Your Retirement Benefits

What is the best age to start receiving retirement benefits?

How Long Can You Stay On Each Page?

For security reasons, there are time limits for viewing each page. You will receive a warning after 25 minutes without doing anything, and you will be able to extend your time on the page. After the third warning on a page, you must move to another page or your time will run out and your work on that page will be lost.

Note: If you turned JavaScript off in your browser, you will not receive these warnings. After you spend 30 minutes on a page, you must move to another page or you will be logged out.

Continue

USA.gov Privacy Policy | Website Policies & Other Important Information | Site Map
Last reviewed or modified Wednesday Apr 01, 2009

[Need Larger Text?](#)

www.socialsecurity.gov/estimator

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:

- **At your FRA, you get your full benefit amount.**
- **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.**
- **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”

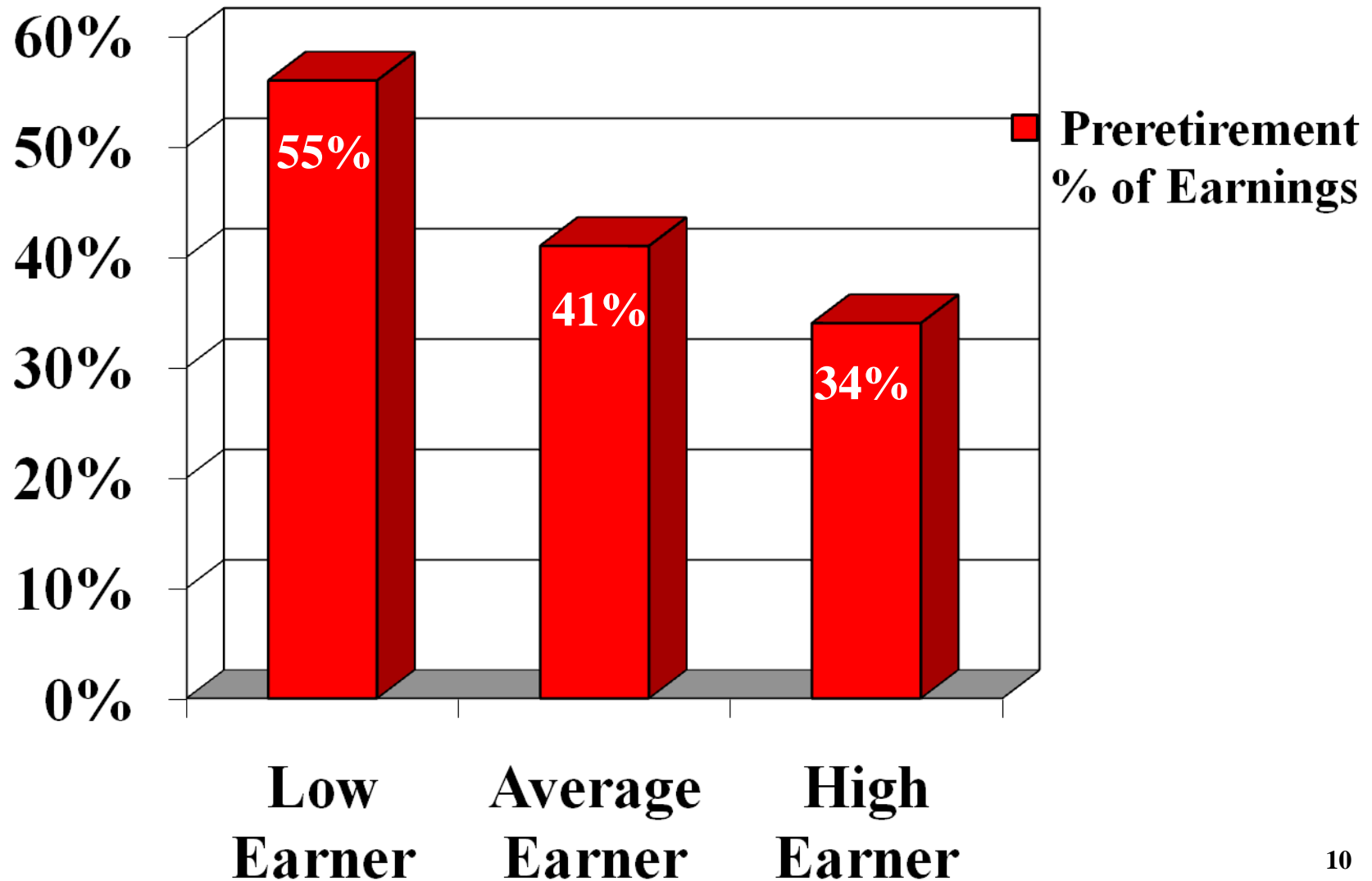


2018 Retirement Benefit Computation Example

If your average monthly earnings are = \$5,500
Then your monthly benefit would be = \$2,261

Average Monthly Earnings	\$5,500		
90% of First	\$895	=	\$806
32% of Earnings over \$895 through \$5,397 (\$5,336 - \$885 = \$4,451)	\$4,502	=	\$1,440
15% of Earnings over \$5,397	\$103	=	\$15
	\$5,500		\$2,261

What You Can Expect at Full Retirement Age



You Can Work & Still Receive Benefits

<u>If You Are</u>	<u>You Can Make Up To</u>	<u>If You Make More, Some Benefits Will Be Withheld</u>
Under Full Retirement Age	\$17,040/yr. (\$1,420/mo.)	\$1 for every \$2
The Year Full Retirement Age is Reached	\$45,360/yr. (\$3,780/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.

Spouse's Benefit Computation

- **Benefit is 50% of worker's FRA amount. DRCs have no impact.**
- **Does not lower payment to worker.**
- **Benefit amount is reduced if spouse is under FRA.**
- **If spouse's own benefit is less than 50% of the worker's, the benefits are combined.**

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**
- **Can collect Reduced benefits on one record at age 60, and then reduced or unreduced benefits on other record at age 62 or older**

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**

Social Security “Strategies”

- **“File and Suspend”**
- **“Claim Some Now; Claim More Later”**
- ***“No Can Do Over”***

Social Security “Strategies”

Claim Some Now; Claim More Later—OLD LAW

- One member of the couple must have been at least age 62 and must have applied for own retirement benefits;
- Spouse “restricted the scope of the application” and filed **ONLY** for a spouse’s benefit;
 - ❖ Spouse began to collect up to 50% of other worker’s FRA amount, while earning DRCs on own
- Spouse must have been at or over Full Retirement Age;
 - ❖ Prior to FRA, spouse cannot restrict scope of application and is “deemed” to be applying for own benefit first

Social Security “Strategies”

Claim Some Now; Claim More Later—NEW LAW

- Anyone born January 1, 1954 or earlier, i.e. was age 62 or older by the end of 2015, will operate under old rules and will still be able to file a “restricted application” at or after FRA;
- Anyone born after that date will be subject to “deemed filing” rule, even at FRA;
- Extension of “deemed filing” rule does not apply to survivor benefits;
 - ❖ Widow(er) will still be able “pick and choose.”

Social Security “Strategies”

The Social Security “Do Over”

- No change as a result of Budget Bill;
- An individual may still withdraw an application, repay any benefits received, and then reapply at a later date, but only within 12 months of the first month of entitlement;
- Also limited to only one withdrawal in a lifetime;
- Since December, 2010, more properly called “The *No Can Do Over*;
- At or after FRA, can still request to have benefits suspended in order to earn DRCs.

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.
- 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.

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) - 2018

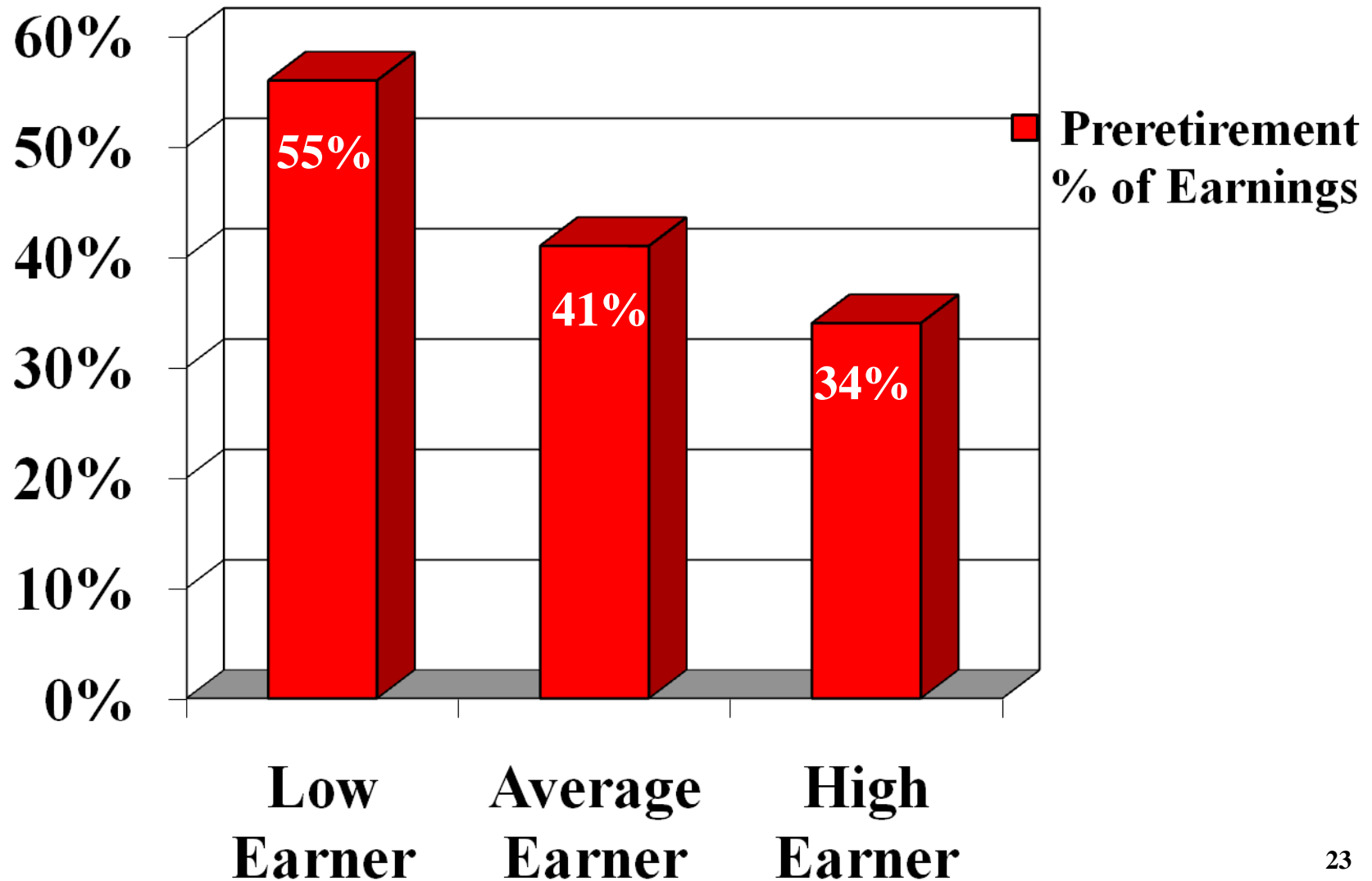
Normal Computation	WEP Computation
90% of the First \$895	40% of the First \$895
32% of the Next \$4,502	32% of the Next \$4,502
15% of the Remainder	15% of the Remainder

2018 WEP Retirement Benefit Computation Example

If your average monthly earnings are = \$5,500
Then your monthly benefit would be = \$1,802

Average Monthly Earnings	\$5,500		
40% of First	\$895	=	\$358
32% of Earnings over \$895 through \$5,397 (\$5,397 - \$895 = \$4,502)	\$4,502	=	\$1,440
15% of Earnings over \$5,397	\$103	=	\$15
	\$5,500		\$1,813

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.**

A Foundation for Planning Your Future

