

Social Security

A Deeper Look at Social Security Benefits

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Estate Planning Council of St. Louis
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Agenda

- I. Social Security: Then & Now
- II. Your Benefits
- III. When to File
- IV. Filing Strategies, Spousal & Survivor Benefits,
Special Situations
- V. Taxes
- VI. Conclusion

A Great System in 1937...

1937



Paid retired workers only



More people paying in than drawing out



Life expectancy was 63



...but Not as Good of a System Today

Today



Life expectancy

Of those reaching age 65

- Men can expect to live to 84.4
- Women can expect to live to 86.7



Survivors' benefits, spousal benefits, benefits for children, and disability benefits



More money going out than coming in

Can your clients depend on it?



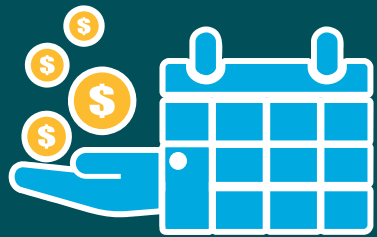
- An estimated 173 million workers are covered
- More than 65 million Americans receive benefits
- There are currently around 46.6 million older Americans. By 2033, the number will increase to more than 77 million
- Currently there are 2.8 workers for each beneficiary. By 2037, there will be 2.1 workers for each beneficiary
- Under current assumptions, the program will only be able to pay full benefits until 2035

Where does Social Security fit in your clients' picture?



Your clients' benefits

How much could they really be?



Maximum
Benefit

monthly

\$2,788

annual

\$33,456

Amounts are equivalent to the **investment income**
on a \$600,000 asset.

Your clients' benefits

How much could they really be?

Amounts are significant

Adjust for inflation

Last your lifetime

Can also last your spouse's lifetime



Determining Your Clients' Benefits

Your client has been “saving” for years

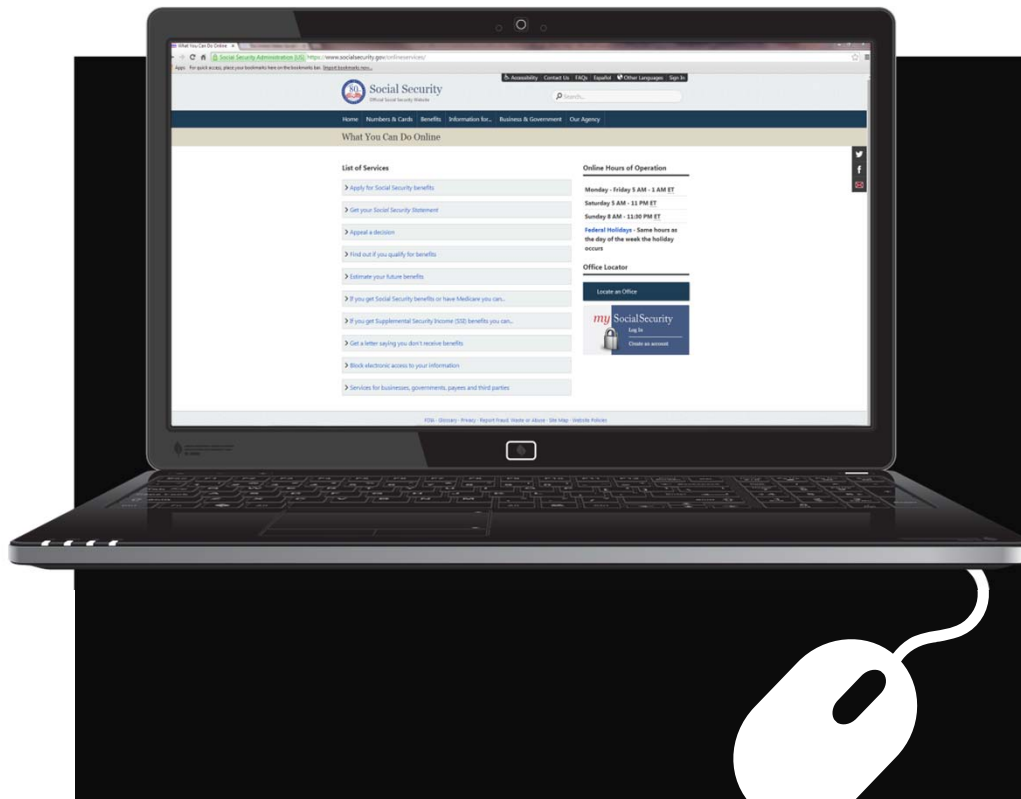


\$1,360 earnings = 1 credit



- **40 credits** required to draw
- Maximum **4 credits** per year
- Take the highest 35 years of earnings, monthly average

How do I find out about my client's benefits?



Paper Statements

Only mailed to those age 60+

- Not receiving benefits yet
- Have not signed up for a *my* Social Security account

Online Statements

www.ssa.gov/myaccount

Request a Statement

1.800.772.7213

When can my client start receiving benefits?

Full Retirement Age:

- The age when you can start receiving full benefits
- Between ages 65-67



Reduced benefits **before full retirement age**, at age **62** (Early)



Increased benefits **after full retirement age**, until age **70** (Delayed)

Full Retirement Age

Birth
Year

Full
Retirement

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
and later

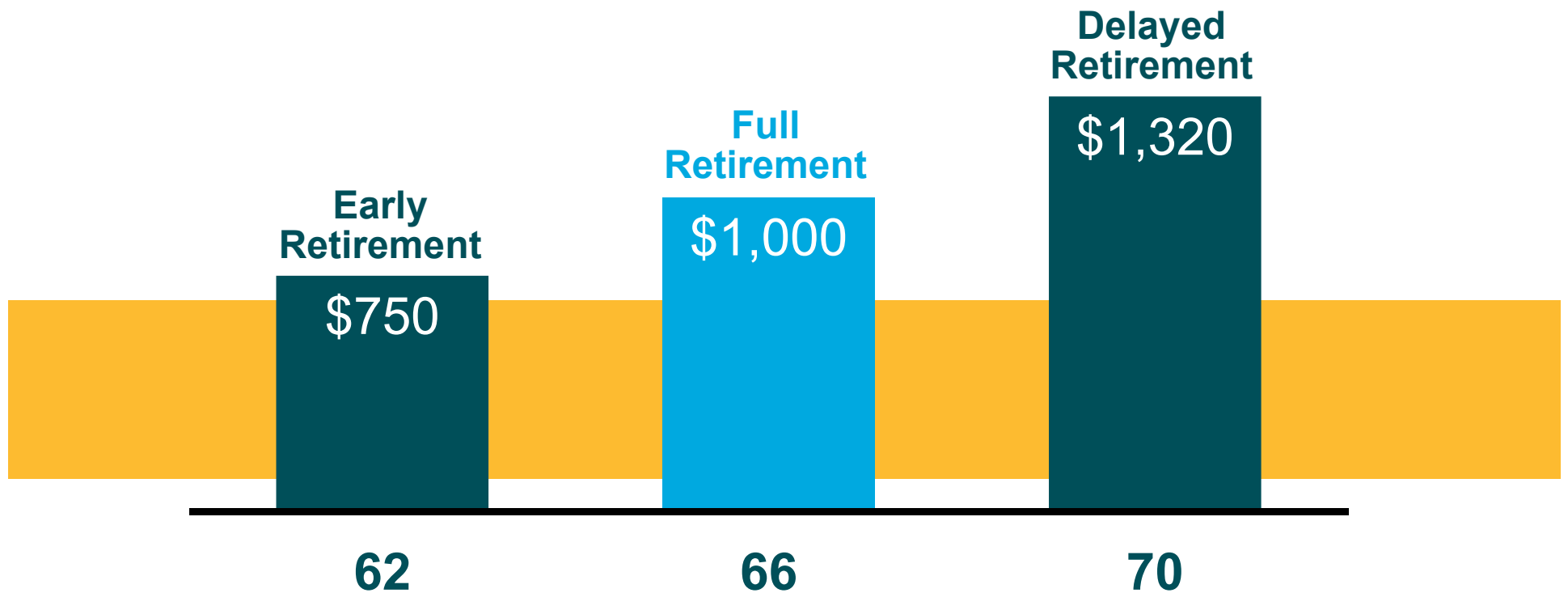
67



67

is the **new 65**
for Baby Boomers

Filing for Benefits



30 more years...

Why worry?



19 more years
of average life expectancy for a **man** at age 65

21 more years
of average life expectancy for a **woman** at age 65

30 more years?

Why worry?

Health Problems

Financial issues

Already retired

Single income households/lower wage earners

School age children at home



Spousal benefits



3 types:

1. Basic Spousal Benefits
2. Divorced Benefits
3. Widow/Widower Benefits

1. Basic spousal benefits

Spousal benefit is the highest between

Your own
work benefit



- OR -

50% of your
living spouse's benefit
(100% of a deceased spouse's benefit)

1. Basic spousal benefits



- If you want to file for a spousal benefit, your spouse must also file
- Filing for spousal benefits early, will reduce your benefit
- The percentage of reduction depends on how early the benefit is taken

3. Benefits for the divorced



- The marriage lasted at least 10 years
- The divorce has lasted at least two years
- The former spouse is entitled to benefits
- The claiming ex-spouse is unmarried
- The claiming ex-spouse is at least 62
- The claiming ex-spouse cannot qualify for a higher benefit on their own earnings record

2. Widow/Widower benefits



- Widow/Widower receives full benefit at their full retirement age
- Widow/Widower can begin collecting deceased spouse's benefits at age 60
- If taken at 60, the benefit is reduced by 30%
- Widow/widower can collect survivor benefit while letting their own benefit defer



Attention Government Employees

Teachers, State, Fire, and Police

- Your benefits may be affected by the following:
 - Windfall Elimination
 - Government Pension Offset



1. Windfall Elimination Provision

- For those who have earned a Social Security benefit
- AND a government pension
- \$463.00 is the maximum reduction for 2019
- If you have 30 years of work under Social Security, no reduction is taken



2. Government Pension Offset

- If you will take a spousal benefit AND you have earned a government pension
- Your spousal benefit may be offset by two-thirds of your pension amount

Working while receiving benefits

Before full retirement age

Planning to receive benefits while you're still working

- AND - before your full retirement age?

Consider the effect...

Working while receiving benefits

Before full retirement age

Benefit is *reduced*

\$1 for every \$2

earned above the earnings limit*

*2019 Earnings Limit= **\$17,640**



Social Security & Taxes

- Wages are taxed throughout your earnings years
- Payments from Social Security system are taxable throughout benefit years

How much is taxable?

Provisional Income:

- + all income from wages
- + pensions
- + investments
- + any non-reportable income
(interest on tax-exempt bonds)
- + any other exclusions to income
- + half of your Social Security benefits



How much is taxable?

Income amount

Taxable amount

\$32,000 or less for joint filers
(\$25,000 for single filers)

0%

\$32,000 to \$44,000
(\$25,000 and \$34,000 for single filers)

Up to 50%

Greater than \$44,000
(\$34,000 for single filers)

Up to 85%

Where to file for benefits



In person
your local Social Security office



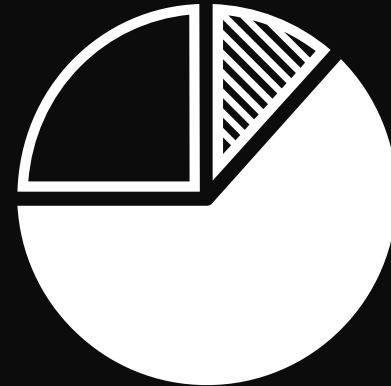
Online
www.ssa.gov



By phone
[1.800.772.1213](tel:18007721213)
to schedule a phone appointment

Retirement: The Big Picture

- Social Security
- Investments
- Annuities and Life Insurance





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Questions?