



# SOCIAL SECURITY

## RETIREMENT STRATEGIES

## SS QUICK FACTS

A Publication of: GamePlan Financial Marketing, LLC Advanced Markets

Social Security Quick Facts is designed to provide general information on the subjects covered. It is not, however, intended to provide specific Social Security-related advice and should not be used as a sole source for Social Security claiming decisions. On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015 which contains legislative changes to certain claiming strategies available prior to its passage. Where applicable, the questions and answers listed below have been updated to reflect these modifications.

Your Financial Professional is able to provide information, but not advice related to Social Security benefits. You should seek guidance from the Social Security Administration regarding your particular situation. For more detailed information, please visit a local Social Security Administration office or visit [www.ssa.gov](http://www.ssa.gov).

Working with your financial professional can help you obtain retirement income from additional sources, such as fixed annuities, which can provide you more options to help control when you retire.

Let's get started with a few key facts:

### 1 How do I determine what my estimated Social Security income benefits will be at retirement?

You may go online to *my Social Security* at [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/) to create an on-line account to view and print your Social Security statement. Once enrolled, you will be able to access helpful information such as:

- Estimates of the retirement and disability benefits you may receive
- Estimates of benefits your family may receive when you retire or die
- Your lifetime earnings record according to Social Security
- The estimated Social Security and Medicare taxes you have paid
- The opportunity to apply on-line for retirement or disability benefits
- A printable version of your Social Security statement

In September 2014, the Social Security Administration began mailing printed statements to workers ages 25, 30, 35, 40, 45, 50, 55, and 60 or older who have not created an online account.<sup>1</sup>

### 2 How does life expectancy factor into what my benefits may be and how do I estimate my life expectancy?

In considering when to collect Social Security benefits, one important factor to take into consideration is how long you might live. According to data collected by the Social Security Administration,

- A man reaching age 65 today can expect to live, on average, until age 84.3
- A woman reaching age 65 today can expect to live, on average, until age 86.6

If, for example, you are in poor health and anticipate a shorter than average life expectancy, applying for Social Security benefits at age 62, even though your benefit will be reduced for taking it before your full retirement age (defined later), may make sense. Conversely, if you expect to live to an average or above average life expectancy, applying for Social Security benefits at

<sup>1</sup> Social Security Bulletin, Vol.74 No. 2, 2014



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full retirement age or delaying commencement of benefits until age 70 to take advantage of potentially higher monthly income benefits may provide greater lifetime benefits.

To get a more specific estimate of your projected life expectancy based upon your current age, visit the life expectancy calculator on the Social Security Administration website at [www.socialsecurity.gov/OACT/population/longevity.html](http://www.socialsecurity.gov/OACT/population/longevity.html).

### 3 Will my retirement benefits be adjusted for inflation?

Automatic benefit increases, also known as cost-of-living adjustments (COLAs), have been in effect since 1975. The purpose of the COLA is to help ensure that the purchasing power of Social Security and Supplemental Security Income (SSI) benefits may not be eroded by inflation.

The COLA is based upon the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. The COLA for 2016 is 0%; for 2015 it was 1.7%.<sup>2</sup>

### 4 What is considered full retirement age (FRA)?

Full retirement age is the age at which a person becomes entitled to a full or unreduced Social Security retirement benefit. Age 65 had historically been identified as the Social Security full retirement age for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959. To identify your full retirement age, visit [www.ssa.gov](http://www.ssa.gov) and enter 'Retirement Age Chart' in the search engine.<sup>3</sup>

### 5 When may I start collecting Social Security benefits for retirement?

- You may apply to receive Social Security retirement benefits as early as age 62. Your monthly benefit will vary depending upon when you elect to begin receiving them.<sup>3</sup>
- If you elect to receive benefits before your full retirement age, your benefit will be permanently reduced a fraction of a percent for each month you receive benefits before your full retirement age.<sup>3</sup>
- If you elect to begin receiving benefits past your full retirement age, your benefit will be increased based upon the number of months you delay receiving benefits between full retirement age and age 70. This is called a delayed retirement credit (DRC) and may increase your benefit by as much as 8% annually for each year past your full retirement age that you delay claiming your retirement benefit. Delayed retirement credits only increase your benefit up to age 70, so there is no benefit for delaying your benefit beyond this age.<sup>4</sup>

### 6 May I elect to receive my retirement benefits before I actually retire?

You may elect to receive your retirement benefit as early as age 62. However, if you are younger than full retirement age and earn more than certain amounts (for 2016, that limit is \$15,720), your benefits will be reduced. It is important to note that these benefit amounts that may be withheld due to excess earnings are not truly lost; your benefit will be recalculated and increased at your full retirement age

<sup>2</sup> Social Security Administration - Cost-of-Living Adjustment, November 2015

<sup>3</sup> Social Security Administration - Retirement Planner: Benefits by Year of Birth, June 2015

<sup>4</sup> Social Security Administration - Retirement Planner: Delayed Retirement Credits, June 2015



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to account for benefits withheld due to prior excess earnings. Once you reach your full retirement age, your earnings while working no longer reduce your Social Security benefit, but your earnings may subject your benefits to ordinary income taxation (See Question #7). For more information on how working may affect your benefits, visit [www.socialsecurity.gov/retire2/whileworking.htm](http://www.socialsecurity.gov/retire2/whileworking.htm).

### 7 Are my Social Security income benefits taxable?

Some people have to pay federal income taxes on their Social Security benefits. This typically only happens if you have substantial income from other sources such as earnings, interest, dividends, and other taxable income in addition to your Social Security income benefit. A portion of your Social Security benefits will be taxable if your “combined income” is greater than \$25,000 as a single taxpayer or over \$32,000 if you and your spouse file a joint return. For additional information on income taxes and your Social Security benefits, visit [www.socialsecurity.gov/planners/taxes.htm](http://www.socialsecurity.gov/planners/taxes.htm).

### 8 What benefits are available to my spouse?

Even if your spouse has never paid taxes into the Social Security system, your spouse may be able to receive benefits if he or she is at least age 62 years old and you are receiving your retirement benefits. Your spouse may also be able to collect benefits under your record if you are at least full retirement age and have filed and suspended your benefits by April 30, 2016.<sup>5</sup> The spousal benefit is equal to 50% of your full retirement age benefit if the benefit commences at your spouse's full retirement age or later. If, however, your spouse collects this benefit prior to his/her full retirement age, the amount will be permanently reduced by a percentage based upon the number of months collected before his/her full retirement age. Also, if your spouse is eligible to receive a retirement benefit in addition to a spousal benefit and is under full retirement age, your spouse's retirement benefit will pay first. If the spousal benefit is higher, your spouse will receive a combination of the two benefits to equal the higher amount.<sup>6</sup>

### 9 What is a restricted application?

For those born in 1953 or earlier, filing a restricted application allows you to collect half of your spouse's Social Security benefits at your full retirement age and delay collecting your own benefit until as late as your age 70. This allows your own retirement benefit to increase by virtue of the delayed retirement credits you will receive for delaying commencement of your own benefit until age 70 (as discussed under Question #5 above). The restricted application technique may work best for two-income couples with similar income and work histories. In order to file a restricted application, you must be 62 or older by the end of 2015 and must wait until your full retirement age to do so; your spouse must be collecting his/her retirement benefit or, if not collecting it, must file and suspend the benefit prior to April 30, 2016 (see #10 below).<sup>7</sup>

### 10 What does it mean to “file and suspend” Social Security benefits?

Recent legislative changes ends the file and suspend strategy effective April 30, 2016, which makes timely action important. Under this strategy, the higher earning member of a married couple files for his/her Social Security benefits at full retirement age and immediately suspends the benefit. File and suspend generally works best when one spouse has little or no work history. By filing and suspending

<sup>5</sup>H.R. 1314 - Bipartisan Budget Act of 2015, Title VIII, Sec. 831 (b), November 2015

<sup>6</sup>Social Security Administration - Retirement Planner: Benefits for Your Spouse, June 2015

<sup>7</sup>H.R. 1314 - Bipartisan Budget Act of 2015, Title VIII, Sec. 831 (a) and (b), November 2015

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the worker benefit, the non-working or lower income earning spouse is then able to collect spousal benefits. This also allows the higher income earning spouse to delay commencement of benefits to age 70, thereby taking advantage of delayed retirement credits and increasing his/her own monthly benefit.<sup>8</sup>

### 11 Once I begin receiving benefits, can I later change my mind?

Under certain circumstances, you may be able to “reset” your Social Security benefits. This technique involves withdrawing your earlier Social Security claim for benefits by completing Social Security Form SSA-521 (request for Withdrawal of Application) and reapplying at a future date. You cannot withdraw your claim if it has been 12 months or more since you first began receiving to them.

You are also required to pay back the benefits previously paid to you, your spouse, or children based on your application in order to withdraw and later re-file. Once your withdrawal is approved, when you later reapply, your monthly benefits will be higher because you are older upon recommencing benefits. You can withdraw and repay your Social Security claim only once in your lifetime. Please note there are other considerations, such as Medicare coverage, that should be considered.

If you are unable to repay benefits received or if more than 12 months has elapsed since you began to receive them, you may voluntarily elect to suspend future payments to increase the amount you will receive when you begin receiving them again at a later date.<sup>9</sup>

### 12 What factors should I consider when deciding when to start drawing Social Security retirement benefits

A variety of factors should be considered in determining when to begin receiving income benefits including health of the recipient (and spouse, if applicable), benefit amounts, age, whether you and/or your spouse continue to work, and other financial resources from which to draw during retirement.

### 13 Can my former spouse receive Social Security income benefits based upon my earnings record?

Your former spouse may qualify for benefits under your record if all of the following conditions apply:

- You were married for at least 10 years;
- Your former spouse is unmarried;
- Your former spouse is at least 62 years old;
- You are entitled to benefits or, if you are entitled to benefits and have not yet applied, but you have been divorced for at least 2 years;
- Your former spouse is not eligible for an equal or higher benefit on his or her own Social Security record, or on someone else's Social Security record.

Also note that the amount of benefits payable to a former spouse has no effect on the amount of benefits for you or your current spouse, if applicable.<sup>10</sup>

<sup>8</sup> Social Security Administration - Retirement Planner: Benefits for Your Spouse, June 2015

<sup>9</sup> Social Security Administration - Retirement Planner: If You Change Your Mind, June 2015

<sup>10</sup> Social Security Administration - Retirement Planner: Benefits for Your Divorced Spouse, June 2015



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### **14 If I am eligible for a worker benefit and also receive a pension from earnings not covered by Social Security, will this affect the amount I receive from Social Security?**

If you have worked for a federal, state or local government agency that provides you with a pension based upon earnings not covered by Social Security, your benefits may be affected. If you think that this may be the case and to see the maximum amount that your Social Security benefit may be reduced, visit: [www.socialsecurity.gov/retire2/wep-chart.htm](http://www.socialsecurity.gov/retire2/wep-chart.htm).

Your benefits as a spouse or widower may also be affected under the Government Pension Offset provision.

For more information, please visit: [www.socialsecurity.gov/retire2/gpo-calc.htm](http://www.socialsecurity.gov/retire2/gpo-calc.htm).

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