



**Your 2019
Social Security
Benefit Guide**

by Tom Breiter, Integra Capital Advisors



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Over 67 million Americans receive Social Security benefits, most of those retirees. ⁽¹⁾ With a program that impacts so many individual lives, you would think people would be more prepared to claim their benefits, but unfortunately, that's not the case. Close to 63% of future retirees are not confident about how the program works, and 88% don't know how benefits are calculated or how to maximize their Social Security payments. ⁽²⁾

With something as important as Social Security, you don't want to cross your fingers and hope you made the right decisions. It's critical to have a solid understanding of the details. When it comes to claiming Social Security retirement benefits, you have a number of decisions to make that can have a great impact on how much you will receive. In this guide, we will answer the five biggest questions that everyone has about Social Security and how to maximize your benefits.

(1) https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2018/fast_facts18.pdf

(2) <https://www.nationwide.com/personal/about-us/newsroom/press-release?title=042618-social-security-survey>

How Are Social Security Benefits Calculated?

Your Social Security benefits are calculated based on lifetime earnings. The Social Security Administration (SSA) calculates your benefit based on your 35 highest earning years, with a minimum of 10 years of work to be eligible for benefits. If you have worked less than 35 years, then zeros are averaged in for the remaining years. The wages are indexed to today's wages in order to accurately reflect wage growth.

Once your average monthly earnings for the 35 years are calculated, a special formula is applied and the result is your primary insurance amount (PIA). The PIA is the benefit you are eligible to receive when you reach full retirement age (FRA).

However, your actual benefit will be affected by when you choose to claim it. Taking benefits before FRA will reduce your benefit, and waiting until after FRA will increase your monthly benefit. Also, starting at age 62, your benefits will be regularly increased to keep pace with the cost of living.



Spousal Benefits

Married people are also eligible for benefits based on their spouse's work history. Their benefit is 50% of their spouse's. In order to receive these benefits, the spouse must be at least 62 and have already filed for benefits.

If you are divorced, you may also be eligible to receive spousal benefits based on your ex-spouse's work history. Your marriage needs to have lasted at least 10 years, you must be divorced for at least two years, and you must still be single. You also need to be at least 62 and not eligible for higher benefits based on your own work record. The good news is that your ex-spouse does not need to have filed for benefits in order for you to claim them.

When Can You Claim Social Security Benefits?

You can claim your Social Security benefits anytime between age 62 and age 70. However, when you choose to collect benefits will impact the amount of benefit you receive.

Early Retirement

While you can start receiving benefits as early as 62, it will be lower than if you waited longer. Your basic benefit is reduced a fraction of a percent for each month you begin receiving benefits prior to full retirement age, up to a 30% permanent reduction.



Full Retirement Age

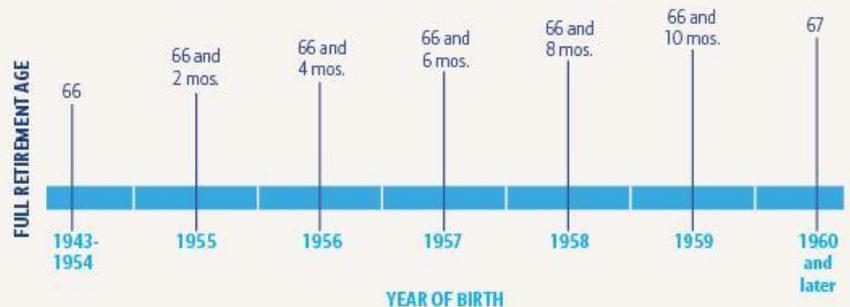
Your FRA changes based on the year you were born. FRA is 66 for those born between 1943 and 1954 and goes up two months for every year after that until it settles at 67 for those born in 1960 or later. If you wait until you reach full retirement age to begin collecting your Social Security benefits, you will receive the full PIA that you have earned.

Delayed Benefits

If you're still working or don't need the money immediately, you can delay receiving your benefits. Your benefit will increase 8% for each year that you delay, with a maximum possible increase of 32%. You cannot delay and increase your benefit indefinitely, though. Once you reach age 70, you are required to file for benefits and lock in the amount.

Age to Receive Full Social Security Benefits

The date when you can receive 100% of your Social Security benefit—your full retirement age, or FRA—depends on the year you were born.



NOTE: People who were born on January 1 of any year should refer to the previous year. Source: Social Security Administration, Social Security Retirement Benefits, July 2012 ssa.gov/pubs/EN-05-10035.pdf

What Is The Best Time To Begin Collecting Benefits?

On average, Social Security benefits make up about 40% of a typical retiree's income. This makes deciding when to claim them a critical decision. By the time you reach the point where you're making this decision, it is too late to change how much you pay into the system. Therefore, the only control you have over the amount of benefit you receive is how early or late you decide to file and claim it.

Social Security Statement

The first step in the decision-making process is gathering the necessary information. If you are paying into the system, the Social Security Administration will send you a statement every five years, and every year once you turn 60. This is a paper statement mailed three months prior to your birthday. If you do not have a recent statement, you can view yours online by setting up an account at ssa.gov, or you can request a paper copy from the Social Security Administration.

Your social security statement includes estimates for your monthly benefit if taken at age 62, your full retirement age, or the maximum benefit at age 70. It also contains estimates of disability, family, and survivor benefits as well as Medicare information. The amounts listed are only estimates and are subject to change. They are calculated based on your date of birth and future estimated taxable earnings.

The statement will also include your earnings history. It is critical to review this for errors because this is what your benefit amount is based on. This information is particularly important if you have spent some time out of the workforce, whether to raise a family, because of a disability, or for other reasons. As benefits are calculated based on the top 35 years' earnings, it may be worthwhile to work a few more years if you find yourself with just shy of 35 years' worth of wages.

Deciding When To Claim Benefits

Your Social Security benefits are calculated using complex actuarial equations based on life expectancy and estimated rates of return. They are not designed to encourage early or late retirement. If you live as long as they anticipate, the total amount you receive over your lifetime should be about the same whether you claim it at age 62, 70, or sometime in between. You will either receive the money as a smaller monthly payment over a longer period of time or a larger monthly payment over a shorter period of time.

Deciding the best time for you to claim your benefits depends on how you compare to the averages. If you expect to live longer than average, your overall lifetime benefit will be greater if you delay claiming your benefits to increase your benefit amount. If the opposite is true and you see little chance of making it into your mid 80s, you would receive a greater lifetime benefit by taking it sooner, even though it is a smaller monthly payment. If you plan on investing the money, it might be better to take it early if you can get high enough rates of return.



When to Start Benefits

The Longer You Wait – The Larger the Benefit

Social Security Benefit = \$2,000 at Full Retirement Age 66

	Age at which benefits are claimed	% of Benefit if FRA = 66	Basic Benefit
Age 62 (Lose 25%)	62	75%	\$1,500
	63	80%	1,600
	64	87%	1,740
	65	93%	1,860
	66	100%	2,000
8% per year (+32%)	67	108%	2,160
	68	116%	2,320
	69	124%	2,480
	70	132%	2,640

Aside from life expectancy, rates of return should be considered as well. Social Security growth is calculated at the Treasury-bond rate. If you are able to invest your benefit instead of spending it, you may be better off claiming early and investing it in an effort to earn better rates of return. Then, though you start with a smaller monthly payment, the growth from your investments may leave you with more money than if you had waited to receive the Social Security Administration's increased payment.

There are helpful calculators available on the Social Security Administration website. With the Retirement Estimator at www.socialsecurity.gov/estimator, you can receive an estimate of your benefit based on your actual earnings record and manipulate the numbers to reflect different scenarios. They also have Social Security Benefits Calculators that can be used to calculate future retirement benefits.

Once you decide the best time to retire and begin collecting benefits, it is important to remember to complete your application for Social Security benefits three months before the month in which you want your retirement benefits to begin.

Maximizing Benefits As A Married Couple

Because married people have the ability to receive their own benefit or a spousal benefit, they have more to take into consideration when filing for benefits. By coordinating properly, married couples can maximize total monthly benefits.

The Society of Actuaries recommends that the lower-earning spouse begin collecting benefits early, while the higher-earning spouse waits as long as possible. That way, you can make use of the lesser benefit while maximizing the greater benefit.

In many situations, it is the husband with the greater benefit and the wife with the lower one. Women also tend to live longer than men. With this strategy, you not only maximize the husband's retirement benefit for use while he is alive, but it also maximizes the wife's survivor benefit when he passes away.

Restricted Application

In late 2015, legislation was passed that eliminated several of the claiming strategies that had been popular for married couples. One option, the Restricted Application, is still available for people who turned 62 before January 1, 2016.

Previously, anyone who reached their FRA could file to receive their spousal benefit while allowing their own personal benefit to continue growing until age 70. Their application was restricted so that they only receive the spousal benefit and not their own. In this way, people could collect some benefit in the present while maximizing future benefits.

The new legislation abolishes restrictions on applications. No longer can a worker choose which benefit they want to receive. No matter when you file, whether it is before or after you achieve FRA, you will be awarded the larger of either your personal or spousal benefit.

If you turned 62 on or before January 1, 2016, you are grandfathered in and still able to file a restricted application. The right to restrict your application no longer exists if you turned 62 after that date. You are subject to the new law. If you have been grandfathered in, though, a restricted application is not automatic. To be able to receive the spousal benefit, you still have to wait until you are 66 to file and your spouse must file as well.



How Does Additional Income Affect Benefits?

Once you reach full retirement age, having earned income will have no effect on your Social Security benefits. However, if you begin receiving benefits before FRA, your earnings will affect your benefits. Only earned income, like wages and self-employment earnings, affect your social security benefits; not unearned income from investments, pensions, and annuities.

Income Earned Prior to the Year You Reach FRA

Any income you earn before the year in which you reach FRA reduces your Social Security benefit once it surpasses a specific limit. When you are under FRA for the whole year, your Social Security benefit is reduced by \$1 for every \$2 you earn over \$17,640. In the year that you reach FRA, your benefit is reduced by \$1 for every \$3 you earn over \$46,920. Once you reach FRA, your benefit is no longer reduced no matter how much you earn.

How To Get Help

When and how to claim your Social Security benefits is a very important decision. Since the process can be complicated and has such a significant impact on your retirement, it is a good idea to consult with a financial professional first. According to a Nationwide survey, those who worked with a professional reported receiving over 20% more in benefits than those who did not. That's money you don't want to leave on the table. ⁽³⁾ If Social Security is on the horizon for you or you are in the midst of the decision-making process, we would love to help.

We work primarily with clients who desire our personal yet structured process for planning and investing that relieves them of the day-to-day worry of the financial markets with freedom to pursue what they value most and allows them to feel confident and reassured. We call this process the "Waypoint Formula."

Call us today at 941-778-1900 or email info@integracapitaladvisors.com to plan your path to financial freedom.





About Tom Breiter

Tom Breiter is the founder of Integra Capital Advisors, a fee-based Registered Investment Advisory firm serving affluent investors planning for retirement in the Bradenton/Sarasota and Naples areas of Florida. Tom and his team provide personalized financial and retirement income planning and unbiased wealth management services. To learn more about how the Integra Capital Advisors team may be able to help your family, call 941-778-1900.

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