
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



The Social Security Statement

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

January 4, 2010
See inside for your personal information →

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(Para Solicitar Una Declaración en Español)

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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.rrmoney.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
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 Security Online website interface. At the top, it says "Social Security Online" and "Benefit Calculators". Below that is a navigation bar with "Home", "Questions?", "Contact Us", and a search box. The main heading is "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.

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](#).

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.

Buttons: [Continue](#), [Estimate Your Retirement Benefits](#), [What is the best age to start receiving retirement benefits?](#)

Footer: USA.gov, [Privacy Policy](#) | [Website Policies & Other Important Information](#) | [Site Map](#), [Need Larger Text?](#), Last reviewed or modified Wednesday Apr 01, 2009

www.socialsecurity.gov/estimator

How Do You Qualify for Retirement Benefits?

- You need to work to earn Social Security “credits”
- Each \$1,320 in earnings gives you one credit
- You can earn a maximum of 4 credits per year



Example: To earn 4 credits in 2018, you must earn at least \$5,280. 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:

- **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



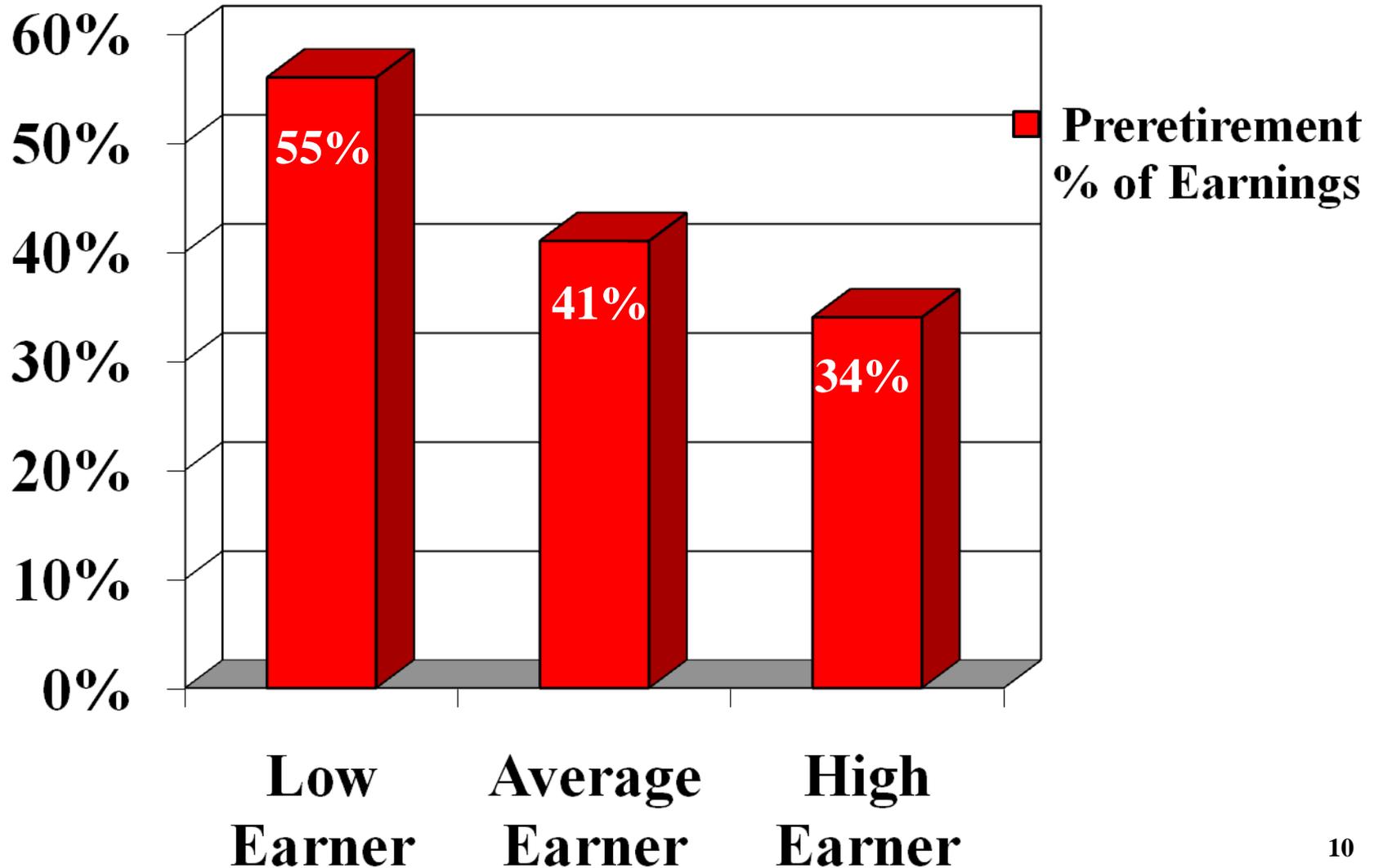
How Social Security Determines Your Benefit

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”**



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”

File and Suspend—OLD LAW

- **One member of the couple must have been at or over Full Retirement Age;**
- **Applied for own retirement benefits and immediately asked that payments be “suspended;”**
 - ❖ **Worker earns DRCs since no payments being made**
- **Spouse could begin to collect up to 50% of worker’s FRA amount;**
 - ❖ **Spouse must be at least age 62**
 - ❖ **Eligible children can begin to collect, as well**
- **Could also request lump sum repayment of any and all benefits that had been withheld.**

Social Security “Strategies”

File and Suspend—NEW LAW

- **Old rules applied until April 29, 2016;**
- **Since that date, if someone asks to have payments suspended, SSA will also suspend the benefits of everyone eligible to collect on that record;**
- **Someone who asks to have payments suspended after April 29, 2016 will no longer be able to receive a lump sum repayment of benefits that have been withheld;**
 - ❖ **Resumption of payments will be effective with the month after the month the request has been received.**

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.

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