

Social Security Event Recap

March 21, 2019



How do I qualify for Social Security?

- You need 10 years' worth of work history (40 quarterly credits) covered by Social Security
- Your benefit is based on your highest 30 years of earnings
- Regularly review your earnings history – your wages may be understated if some of your work isn't being counted
- Windfall Elimination Provision
 - If you qualify for a government pension for which you didn't pay Social Security taxes (such as CalSTRS), the Windfall Elimination Provision can offset part of your Social Security benefit
 - This provision was put in place to make sure government workers don't have an unfair advantage over others
 - This provision is phased out between 21-29 years of substantial earnings covered by Social Security and goes away completely after 30 or more years

When should I take my benefit?

- Taking benefits early
 - This permanently reduces your benefits and your spouse's survivor benefits
 - Longevity is a major factor to consider; while the annual cost-of-living adjustments and additional earnings can increase your benefit, you are missing out on potential growth
- Taking benefits at full retirement age
 - Check with the Social Security Administration in January to see when it makes sense to start taking your benefit
 - It takes an average of 7 years to receive back the Social Security taxes you paid
- Taking benefits later
 - Every year you delay benefits after full retirement age, you receive an 8% increase
 - Don't wait after 70, though – your benefit stops growing, leaving money on the table

Can I work while receiving benefits?

- Yes, but your benefits may be taxed
 - One third of Social Security recipients pay taxes on their benefits
 - This applies to individuals with combined income over \$25,000 and married couples over \$32,000
 - Up to 85% of your benefit can be taxed
- Your benefits may also be reduced
 - If you work before your full retirement age, \$1 of benefit is taken away for every \$2 earned above the annual limit (\$17,640 for 2019)
 - In the year you reach full retirement age, \$1 of benefit is taken away for every \$3 earned above a separate annual limit (\$46,920 in 2019)
 - After reaching full retirement age, your benefits won't be reduced no matter how much you earn

What if I change my mind?

- You can undo any change within 12 months; however, this can only be done once
- You can receive up to 6 months of retroactive benefits

What about my spouse's benefits?

- Surviving spouses
 - Widows and widowers can take a surviving spouse benefit at 60 while still growing their own retirement benefit
 - Widows and widowers can inherit the increased delayed credits of a former spouse
- Former spouses
 - After 10 years of marriage, a divorced spouse is eligible for a spousal benefit
 - This benefit is available to all ex-spouses regardless of the number of former marriages

What about Medicare?

- You generally must enroll when you turn 65
 - This happens automatically if you are already receiving Social Security
 - Otherwise, you must enroll separately to avoid a lifetime penalty
- You can wait to enroll if you are covered under a separate health insurance plan

What is the future of Social Security?

- Social Security won't "run out of money"
 - The Social Security reserve fund has enough to pay 100% of benefits through 2034 and 79% afterwards with continuing income
 - Because Social Security is based on tax revenue, it will last as long as there are taxes
- The Social Security Administration is discussing changes to the benefit structure
 - Most likely, 70 will become the full retirement age for younger workers
 - Workers closer to retirement should not see any changes to their benefit

What tools are available to me?

- Sign up with the Social Security Update to receive current information: <https://www.ssa.gov/news/newsletter/>
- The Retirement Estimator can give you an idea of what your benefit will be at retirement and help pinpoint the best time to start: <https://www.ssa.gov/benefits/retirement/estimator.html>
- The 2019 Retirement Benefits Handbook contains further information to help you understand your benefit: <https://www.ssa.gov/pubs/EN-05-10035.pdf>
- Contact our office with any questions about your Social Security benefit or retirement plan