



EMPOWERING
PROSPERITY THROUGH
FINANCIAL EDUCATION

Social Security | Medicare | Tax | Estate Planning

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**25% of all jobs by the year 2030
will be filled by those 55 years and older**

*Bureau of Labor Statistics



73% of retirees were not confident
in their knowledge of Social Security benefits



33% of retiree's rely on Social Security
as their sole source of income

THE BASICS OF SOCIAL SECURITY



SOCIAL SECURITY 2025

HOW TO QUALIFY?

- ✓ Have worked 10 or more years in Social Security covered employment (40 quarters)
- ✓ Have paid (or a spouse paid) FICA taxes for at least 10 years (40 quarters)
- ✓ Are citizens of the United States or permanent legal residents



THE BASICS OF SOCIAL SECURITY

FRA

FULL RETIREMENT AGE

The age assigned by the government at which an individual is entitled to 100% of their Social Security benefit

PIA

PRIMARY INSURANCE AMOUNT

The payment a person would get if they elect to begin receiving benefits at the normal retirement age.

DRC

DELAYED RETIREMENT CREDITS

Delayed retirement credits (DRCs) are credits we use to increase the amount of your old-age benefit amount.

AIME

AVERAGE INDEXED MONTHLY EARNINGS

A calculation to determine how much everyone will receive in their benefit based off their top 35 years of earnings

COLA

COST OF LIVING ADJUSTMENT

Social Security's general benefit adjustments are based on increases in the cost of living as measured by the Consumer Price Index.

DETERMINING FULL RETIREMENT AGE

65

Persons Born in
1937 or Earlier



66

Persons Born from
1943-1954



67

Persons Born in
1960 or Later



Add 2 months per
year

Add 2 months per
year

EARLY VS. DELAYED

Early Election begins at 62

Apply at age	If FRA = 66	If FRA = 67
62	75%	70%
63	80%	75%
64	86.7%	80%
65	93.9%	86.7%
66	100%	93.9%
67		100%

- You will receive a percentage of your PIA.
- A reduction factor will be applied to benefit from then on.
- You cannot earn more than \$23,400.00

Early Election Case Study



- John's FRA is 67 years old
- John's PIA at FRA is \$2,000
- John retires early at 62 and elects Social Security
- Monthly Payment = \$1,400
- (70% of \$2,000)

Delaying Election past FRA

Apply at age	If FRA = 66	If FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

- You will earn 8% annual delayed credits
- There is no benefit to delaying past 70
- The limit on your earnings for the months before FRA \$62,160.00

Delayed Election Case Study



- John's FRA is 67 years old
- John's PIA at FRA is \$2,000
- John retires at 68 and elects Social Security
- Monthly Payment = \$2,160
- (108% of \$2,000)

SPOUSAL BENEFITS

One of the possible motives being explored is whether Sourone-Mathers kept her husband's body so she could still collect his Social Security and Veterans Affairs checks, according to Hansen. Detectives have subpoenaed records from both agencies and were waiting Thursday for replies.



Woman's husband was in freezer for 10 years, police confirm

By Pat Reavy, KSL | Posted - Dec 12th, 2019 @ 11:47am



TOOELE — Tooele police believe the body of a man found inside his wife's freezer had been there for a decade before it was discovered.

SPOUSAL BENEFITS

- 50% of the primary worker's PIA if elected at FRA
- Must wait for primary worker to turn on benefit before you can claim spousal benefits
- Married for 1 year
- DRC's do not apply on spousal benefits



SPOUSAL CASE STUDY – SINGLE INCOME

- John's FRA is 67
- Jane's FRA is 67
- John's PIA @ FRA is \$2,000
- John retires at 67 and elects Social Security
- Jane is 67 and NEVER REPORTED INCOME
- Mo. Combined = \$3,000
- $(100\% \text{ of } \$2,000) + (50\% \text{ of } \$2,000)$





SPOUSAL CASE STUDY – DUAL INCOME

- Judy worked part time and earned a PIA of \$1,000
- At age 62, Judy decides to claim her benefit early (FRA 66)

Reduced Monthly Benefit

\$1,000 Judy's PIA benefit
-\$250 (25% early benefit reduction)

\$750 Judy's reduced monthly benefit



SPOUSAL CASE STUDY – DUAL INCOME

- Jim retires at age 66 and claims his PIA benefit of \$2,400

Judy's spousal add-on

\$1,200 (50% of Jim's PIA \$2,400)
-\$1,000 Judy's PIA benefit
\$200 Judy's spousal add-on

Judy's reduced spousal add-on

\$200 Judy's Spousal add-on
- \$50 (25% early benefit reduction)
\$150 Judy's reduced spousal add-on



SPOUSAL CASE STUDY – DUAL INCOME

Judy's total reduced monthly benefit

\$750	Judy's reduced benefit
+\$150	Judy's reduced spousal benefit
\$900	Judy's total reduced monthly benefit

DIVORCED SPOUSAL BENEFITS

If you are divorced, you can receive benefits based on your ex-spouse's record (even if they have remarried) if:

- Same as spousal benefits (50% of ex-spouse's benefit)
- You are 62 years of age or older
- You are currently unmarried
- Your marriage lasted 10+ years
- Multiple exes can receive benefits on the same worker's record
- The benefit you are entitled to is less than the benefit you would receive based on your ex-spouse's work
- If your ex-spouse is NOT claiming benefits, you can still receive benefits if the marriage lasted 10+ years AND you've been divorced for 2 years or more.

DIVORCED CASE STUDY

- Gloria & Hank were married for 40 years, divorced for 2 years
- Hank is age 62 with PIA of \$4,000
- Gloria was a stay-at-home mother for most of her life and therefore her PIA is \$400
- Gloria is **unmarried, not working** and decides to claim her benefit at 62 (FRA 66)

DIVORCED CASE STUDY

Gloria's total reduced monthly benefit

\$300 Gloria's reduced benefit
+\$1,200 Gloria's reduced spousal benefit
= \$1,500 Gloria's total reduced monthly benefit

Gloria's reduced spousal add-on

\$1,600 Gloria's spousal add-on
-\$400 (25% early benefit reduction)
= \$1,200 Gloria's reduced spousal add-on

SURVIVOR BENEFITS

- Married for 9+ months
- You are 60 years of age or older (prorated for survivors filing age)
- You are currently unmarried
- If ex-spouse passes and marriage lasted 10+ years
- If spouse passes while both benefits are on survivor may switch to the higher benefit



WINDFALL ELIMINATION PROVISION & GOVERNMENT PENSION OFFSET

WINDFALL ELIMINATION PROVISION (WEP)



The Windfall Elimination Provision can come into play if you work for an employer who does not take Social Security taxes out of your wage. Commonly found among government agencies, municipalities, school districts or employers overseas.

If you qualify for retirement or disability pensions it may affect your Social Security.

When can it affect you?

If you have a **non-covered pension** and you **qualify for Social Security** from other employment.

WINDFALL ELIMINATION PROVISION (WEP)

HOW THE WEP WORKS: Social Security benefits are calculated by applying three different percentages to a person's lifetime average indexed monthly earnings (AIME) and adding them up to obtain the worker's monthly benefit (primary insurance amount (PIA)) at full retirement age. For most beneficiaries in 2024, the PIA equals the sum of:

90 percent of the first \$1,174 of AIME, plus
32 percent of AIME over \$1,174 and through \$7,078, plus
15 percent of AIME over \$7,078.

The WEP PIA replicates the regular PIA but scales down the first percentage from 90 percent to 40 percent in increments of five percentage points for workers with less than 30 years of coverage (YOCs). Thus, workers with 30 or more YOCs have a first PIA factor of 90 percent, workers with 21–29 YOCs have a first PIA factor between 45–85 percent, and workers with 20 YOCs have a first PIA factor of 40 percent.

However, the difference between the regular PIA and the WEP PIA cannot exceed one-half of the monthly non-covered pension. This provision is known as the WEP guarantee and results in a smaller WEP reduction to the Social Security benefit than otherwise would have applied.

If you have 20 years or less of substantial earnings and you qualify for a non-covered pension, you will be affected by WEP.

If you have 30 years of substantial earnings under Social Security, you will not be affected by WEP.

GOVERNMENT PENSION OFFSET (GPO)



Government Pension Offset reduces Social Security **spousal or survivor** benefits for individuals who receive a pension from a government job not covered by Social Security.

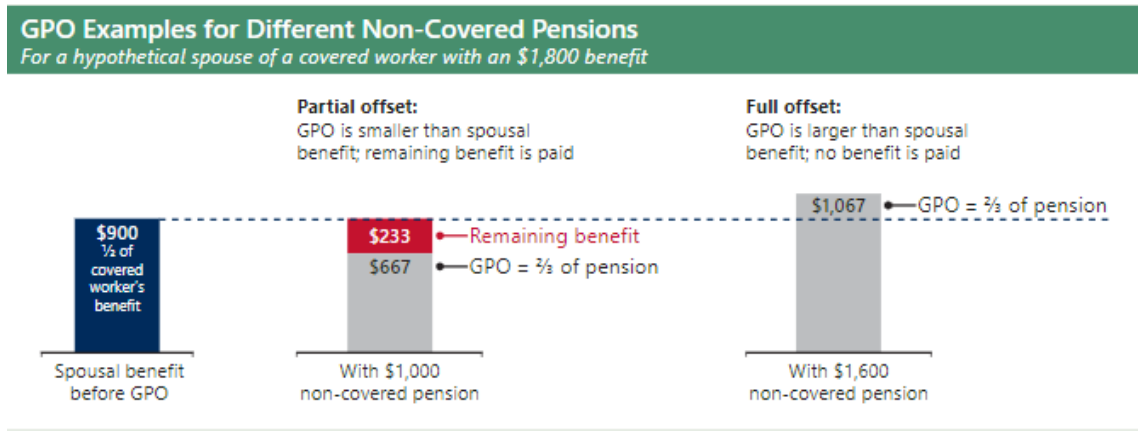
Reduction Formula: The reduction is equal to two-thirds of the government pension, which can eliminate or greatly reduce the Social Security benefit.

Impact on Public Sector Retirees:

Can significantly affects spouses of retired teachers, police officers, and other government employees.

GOVERNMENT PENSION OFFSET

HOW THE GPO WORKS: The GPO reduces the spousal or widow(er) benefit by two-thirds of the monthly non-covered pension and can partially, or fully, offset an individual's spousal/widow(er) benefit, depending on the amount of the non-covered pension. The chart below shows how the GPO would affect spousal benefits for two non-covered pension amounts.



CHARACTERISTICS OF GPO BENEFICIARIES: In 2022, the GPO applied to approximately 12.6 percent of the 5.84 million spousal or widow(er) beneficiaries (734,601 beneficiaries). Beneficiaries affected by the GPO had an average monthly non-covered pension of \$2,690, which was nearly \$865 more than the average Social Security retired worker benefit of \$1,825 in 2022. Nearly 70 percent of beneficiaries affected by the GPO had their entire spousal or widow(er) benefit offset and had an average monthly non-covered pension of \$3,502. Those with partially offset benefits had an average non-covered pension of \$999.

If you have plan to receive spousal benefits and have a spouse with a government pension GPO may affect you.

Grumpy Partner Offset

SOCIAL SECURITY | THEN & NOW

SOCIAL SECURITY | THEN & NOW

August 14, 1935

- The Social Security Act (H.R. 7260, Public Law No. 271, 74th Congress)
- Average life expectancy in 1935 was 65 years old
- O.A.S.I. - Old Age Survivors Insurance



January 31, 1940

- The first recipient received her first retirement check
- She started collecting at age 65 and living to be 100 years old



SOCIAL SECURITY | THEN & NOW



The average 65-year-old man in the U.S. today is expected to live to

86.6 years old



The average 65-year-old woman in the U.S. today is expected to live to

88.8 years old

ACCORDING TO PEW RESEARCH

Baby Boomers

According to PEW RESEARCH CENTER

- On Jan 1, 2011 10,000 turned 65
- 10,000 Turn 65 Daily
- Trend Forecast Through 2030



TRUST FUND OPERATIONS IN 2023 (in billions)

How large are the asset reserves in the trust funds right now? At the end of 2022, OASI asset reserves were \$2.7 trillion, DI asset reserves were \$118.0 billion, HI asset reserves were \$196.6 billion, and SMI asset reserves were \$212.6 billion. The OASI Trust Fund asset reserves declined in 2022 while DI, HI, and SMI Trust Fund asset reserves increased.

Description	OASI	DI
Reserves (end of 2022)	\$2,711.9	\$118
Income during 2023	\$1,166.9	\$183.8
Cost during 2023	\$1,237.3	\$154.8
Net change in reserves	-\$70.4	\$29
Reserves (end of 2022)	\$2,641.5	\$147

The key dates for the OASI, DI,
and HI Trust Funds are:

Description	OASI	DI	HI	SMI
First year cost exceeds income excluding interest	2010	2044	2010	2025
First year cost exceeds total income including interest	2021		2021	2025
Year asset reserves are depleted	2033		2034	2031

PROVISIONAL INCOME (PI)



How to compute PI:

Adjusted gross income (before Social Security benefits)

+ Municipal interest income*

Modified adjusted gross income (MAGI)

+ Half of Social Security benefit

Provisional income (PI)

SOCIAL SECURITY TAXATION

	Provisional Income	Percentage Taxable
Single	Below \$25,000	0%
	\$25,000 to \$34,000	50%
	Over \$34,000	85%
Married (Filing Jointly)	Below \$32,000	0%
	\$32,000 to \$44,000	50%
	Over \$44,000	85%

REFORM PROPOSALS & ANNOUNCED CHANGES

- ✓ Increase maximum earnings subject to Social Security Tax
 - ✓ \$160,200 -> \$176,100 25% increase over last 5 years
- ✓ Phase top earners back into Social Security
- ✓ Raise Full Retirement Age for those born after 1960
- ✓ Lower benefits for future retirees
- ✓ Reduce COLAs for all retirees
- ✓ Means Testing?



MOST COMMON MISTAKES

COMMON MISTAKE 1 – RELYING TOO HEAVILY ON SOCIAL SECURITY ADMINISTRATION FOR FILING STRATEGY

John Smith

- Age 72
- Divorced
- Widowed
- Personal Benefit - \$500 / month
- After wife passed, he called Social Security and was told he was getting the most he could
- Benefits matrix showed that his ex-spouse earned \$2400 / month
- Filed for a divorced spousal benefit increasing his benefit to \$1200 / month



COMMON MISTAKE 2 – NOT UNDERSTANDING TAXABLE LIABILITY WITH SOCIAL SECURITY

Anderson Household

- Modified Adjusted Gross Income - \$30,000
- Social Security Benefits - \$24,000
- Total Provisional Income - \$42,000
- Social Security Taxable Portion - \$12,000
- Social Security Taxable Percentage – 50%



COMMON MISTAKE 2 – NOT UNDERSTANDING TAXABLE LIABILITY WITH SOCIAL SECURITY

Anderson Household

- Modified Adjusted Gross Income - \$30,000
- Social Security Benefits - \$24,000
- IRA Withdrawal - \$3,000
- Total Provisional Income - \$45,000
- Social Security Taxable Portion - \$20,400
- Social Security Taxable Percentage – 85%

A \$3000 IRA withdrawal increased their
provisional income by \$8,000!



— MyRetire



Social Security Optimization Guide

MyRetire

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Subject Line: SS Guidebook

