

About Your Speaker, Rebecca Tapia

- **Financial Advisor**
- **Education and Communication Specialist**
- **Working with Heffernan for 20 years**
- **Provides individual financial education and advisement services**
- **Wealth Advisor to retirees and pre-retirees**
- **Series 7 held with LPL Financial. Series 66 held with both LPL Financial and Global Retirement Partners.**
- **Life, Health & LTC Insurance licensee**
- **Cert. of Comp. for the CFP Program from UC Berkeley**

HEFFERNAN FINANCIAL SERVICES

*Because You're Different*

# Social Security

## When Should You Start Receiving Retirement Benefits?



# How it Began

## Ida May Fuller

Received the first monthly benefit check in 1940 for $22.54



## Early Attempts to Abuse

- Secretary's actual number included in widespread 1938 wallet promotion
- More than 40,000 people have since filed for benefits using the number 078-05-1120



Social Security Administration, "A Brief History of Social Security," August 2000.

Social Security Administration, "Social Security Cards Issued by Woolworth," SSA.gov

# Will Social Security be There for Me?

## The bottom line

- Reserves projected to pay full benefits until 2033
- Trust income projected to cover 77% of benefits from 2034 until 2090, even if nothing is changed
- A 56-year-old today won't likely have to worry about his or her benefits being affected until age 73 at the earliest

https://www.ssa.gov/oact/TRSUM/ Status of the Social Security and Medicare Programs

# When Should You Start Receiving Retirement Benefits?

At your full retirement age?

Age 66-67



Before your full retirement age?

As early as age 62



After your full retirement age?

As late as age 70



# Why Is It an Important Decision?

- When you claim benefits can significantly affect your overall retirement income
- If you're married, timing can also affect spousal/survivor income

There's no one-size-fits-all answer.
It's a personal decision.



# What Should You Consider?

- Your full retirement age and benefit calculation
- Amount of your future benefit and effect of early or delayed retirement
- How long you expect retirement to last based on life expectancy
- Whether you plan to continue working
- Other sources of retirement income
- Income taxes
- How your spouse might be affected

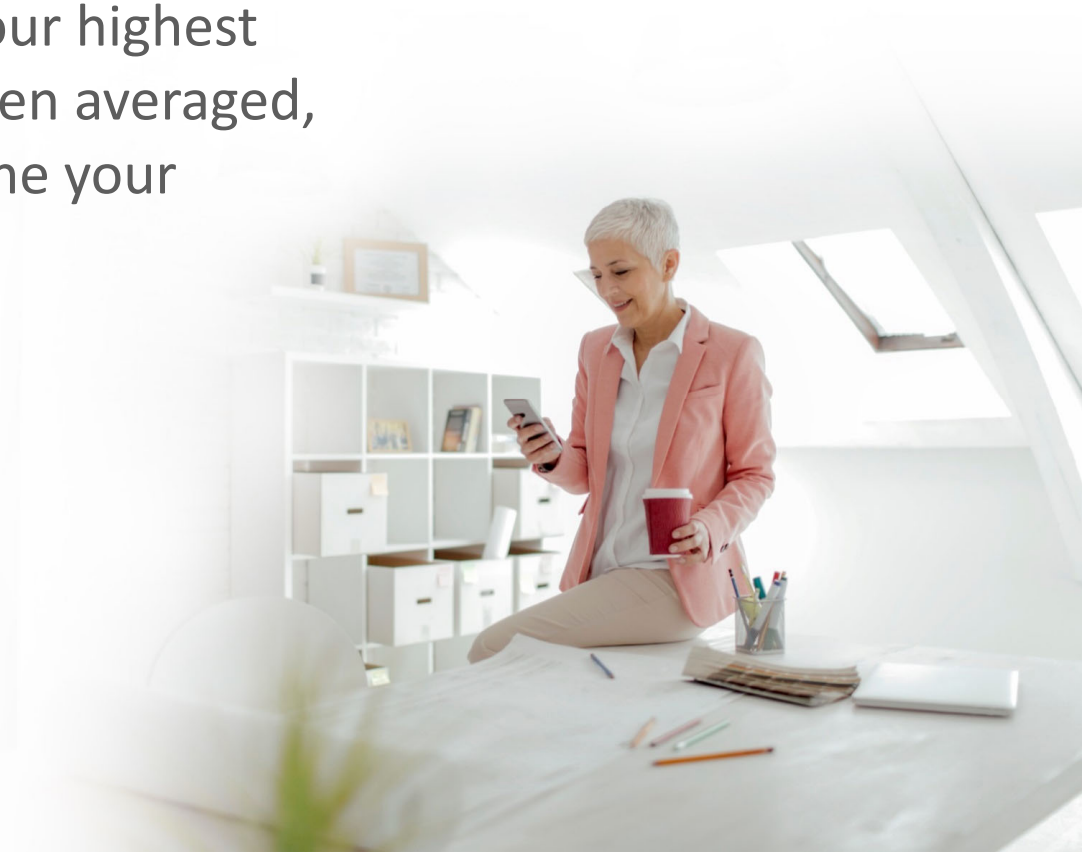
# What Is Your Full Retirement Age?

Your full retirement age is the age at which you can receive a full (unreduced) Social Security retirement benefit.

| Year of birth | Full retirement age |
|---|---|
| 1943–54 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 & later | 67 |

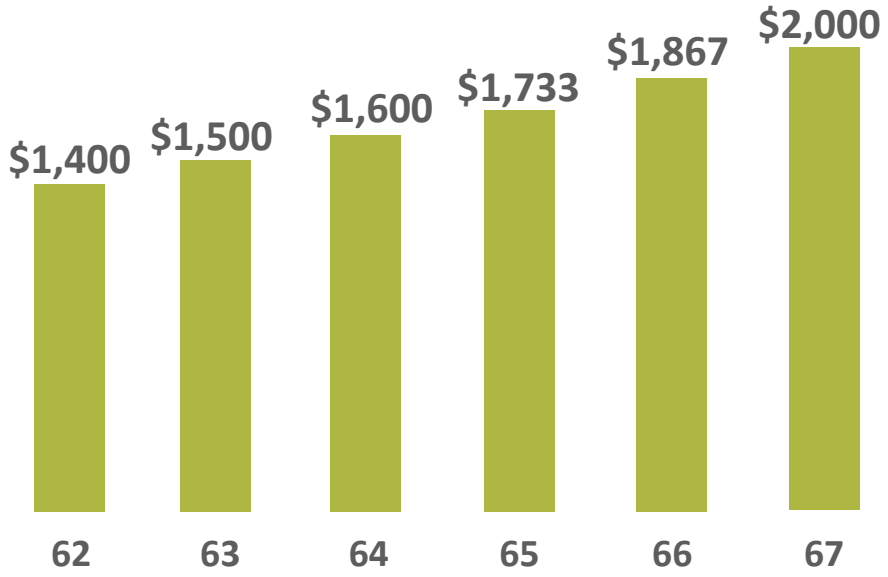
# How Is Your Benefit Calculated?

As you approach retirement age, your highest 35 years of earnings are indexed, then averaged, and a formula is applied to determine your benefit at full retirement age.



# How Much You'll Receive: Claiming Benefits Earlier

- Can start benefits as early as age 62
- Benefit reduction — you'll receive 25% to 30% less at 62 than at full retirement age
- Benefits received for a longer period of time




These are hypothetical examples of mathematical principles based on Social Security Administration rules and are meant for illustrative purposes only.

# How Much You'll Receive: Claiming Benefits Later

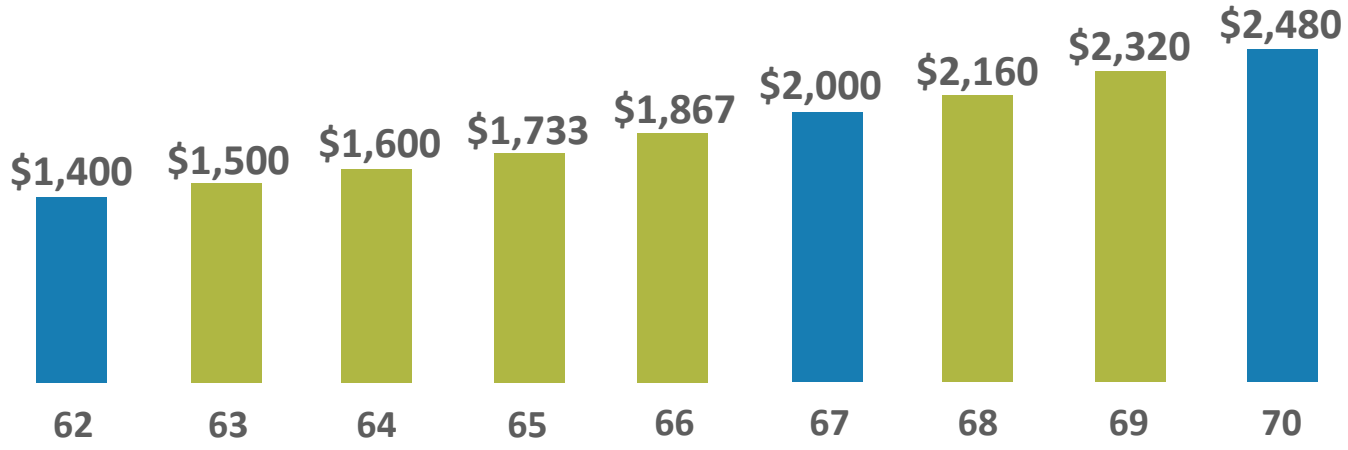
- You receive delayed retirement credits, up until age 70
- Benefit is increased 8% for each year you postpone receiving benefits past full retirement age




These are hypothetical examples of mathematical principles based on Social Security Administration rules and are meant for illustrative purposes only.

# Monthly Benefit Comparison: 62, 67, 70

- Benefit at age 70 is 77% more than benefit at age 62
- But cumulative benefits from age 62 to 70 equal $134,400




These are hypothetical examples of mathematical principles based on Social Security Administration rules and are meant for illustrative purposes only.

# What is the Maximum Available Benefit?

- The maximum benefit for 2023 is $3,627 at FRA per month.
- The maximum benefit for 2023 is $4,555 at age 70 per month.
- The average monthly benefit in 2023 is $1,706.



SSA website, socialsecurity.gov, 2023

# How Long Will Retirement Last?

According to the SSA,

1 in 3 retirees will live until at least age 90

and 1 in 7 will live until at least age 95.



SSA website, socialsecurity.gov, 2022

# Do You Plan to Continue Working?

Are you under full retirement age?



Earnings from a job will reduce your Social Security benefit.

Have you reached full retirement age?



Earnings from a job will not reduce your Social Security benefit.

# How Working Affects Benefits

| | |
|---|---|
| **Before full retirement age** | **$1 withheld for every $2 that earnings exceed annual limit — $21,240 in 2023** |
| **Year you reach full retirement age** | **$1 withheld for every $3 that earnings exceed annual limit — $56,520 in 2023** |
| **At or after full retirement age** | **Earnings will not affect your benefit** |

# What Retirement Income Will You Have?




Social Security



Savings and Investments



Job Earnings



Pension Benefits

# Will Your Benefit Be Taxable?



| Up to 50% of benefit may be taxable if your combined income* is: |
| --- |
| $25,000 to $34,000 and you file as single |
| $32,000 to $44,000 and you file as married filing jointly |



| Up to 85% of benefit may be taxable if your combined income* is: |
| --- |
| Over $34,000 and you file as single |
| Over $44,000 and you file as married filing jointly |

*Combined income = adjusted gross income + nontaxable income + ½ of Social Security benefit income

# How Will Your Decision Affect Your Spouse?

- How can you maximize household and survivor income?
- What's the appropriate combination of claiming ages?



# Retirement/Spousal Benefits

- Retirement benefits are based on your earnings record — at full retirement age you're entitled to receive 100% of your full retirement benefit
- Spousal benefits are based on your earnings record — as much as 50% of your full retirement benefit if your spouse claims at his or her full retirement age
- Reduction for filing for spousal benefits early — spouse can't file until retired worker files



# Survivor Benefits



- Surviving spouse generally receives the greater of the retirement benefit the worker was receiving or his or her own benefit
- Survivor benefits may be payable as early as age 60, subject to reduction

# The Power of Delaying Benefits

| | Age 62 monthly benefit | Age 67 monthly benefit | Age 70 monthly benefit |
|---|---|---|---|
| Spouse 1 | $1,680 | $2,400 | $2,976 |
| Spouse 2 | $1,397 | $1,996 | $2,475 |
| Total joint monthly income | $3,077 | $4,396 | $5,451 |

- Monthly joint income is $2,374 more if both spouses claim benefits at age 70 instead of at age 62
- Monthly survivor benefit for Spouse 2 also increases

# Restricted Application Strategy

- Potentially available to those who were born on or before January 1, 1954
- Allows you to collect spousal benefit, then later collect own worker benefit if certain requirements are met



# Restricted Application Example



At age 66, Diane  begins collecting retirement benefits based on her own record

↓

At age 66, Mike files a restricted application for spousal benefits based on Diane's record

↓

At age 70, Mike collects a larger retirement benefit based on his own record due to delayed retirement credits

# The Choice Is Yours

You may decide to claim benefits **earlier** if:

- You need Social Security income right away
- You want to invest your monthly benefit
- You want to delay having to take funds from other retirement vehicles
- Your spouse wants to delay claiming benefits

You may decide to claim benefits **later** if:

- You want a higher monthly retirement benefit
- You want to maximize survivor income
- You plan to work longer
- You're able to file for spousal benefits first, then switch to your own benefit later

# Contact the Social Security Administration

- ✓Get benefit estimates and a copy of your Social Security Statement at socialsecurity.gov
- ✓Contact the Social Security Administration to discuss your options
- ✓Apply online, by phone, or in person



# Thank You

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**Rebecca Tapia**

Heffernan Financial Services

**Tel:** (415) 808-1369

**Main:** (800) 437-0045

rebeccat@heffgroup.com

www.heffgroupfs.com





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