

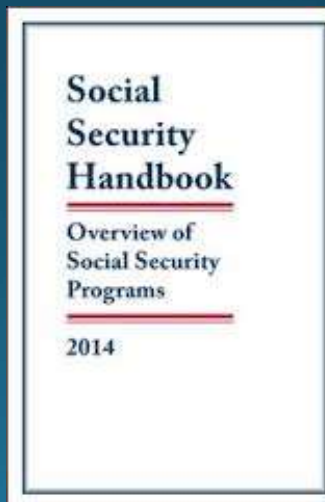
Social Security Benefit Maximization Workshop (2018 edition)

Instructor: John Pak, CFP® RICP®

Picture this...

Imagine you're about to accept a new job and it's time to talk salary. You sit down with your boss who begins to say...

Actually, our payroll system is impossibly complicated. You can pick from dozens of different ways to be paid and hundreds of different start dates, and each will produce a different salary. We offer some guidance, but we're short handed. Deciding when and how to collect a paycheck is essentially up to you. So what would you like to do...

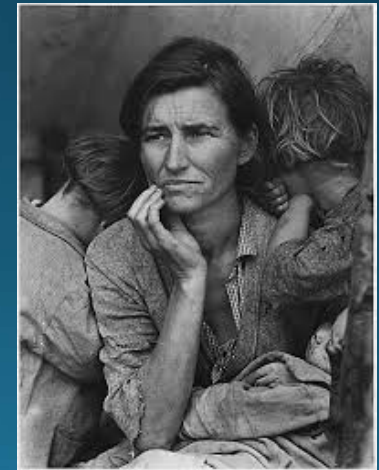


Explanations of the rules are found in the Program Operating Manual System (POMS)

2,700 Rules!

The time period...

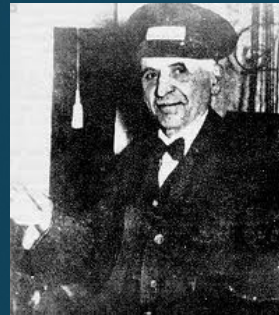
- Oct 24th, 1929 (Black Tuesday)
- Stock Market crashes
- 10,000 banks fail (No FDIC)
- Unemployment rate shoots up to 25%
- Senior Citizens unemployment rate shoots up to 50%



SS Timeline



Roosevelt signs
Social Security Act
(1935)



SS initiated payroll tax.
Ernest Ackerman, bus
driver from Toledo,
Ohio, receives the first
lump sum of \$0.17
(1937)

Spouse and
minors able
to join (1939)

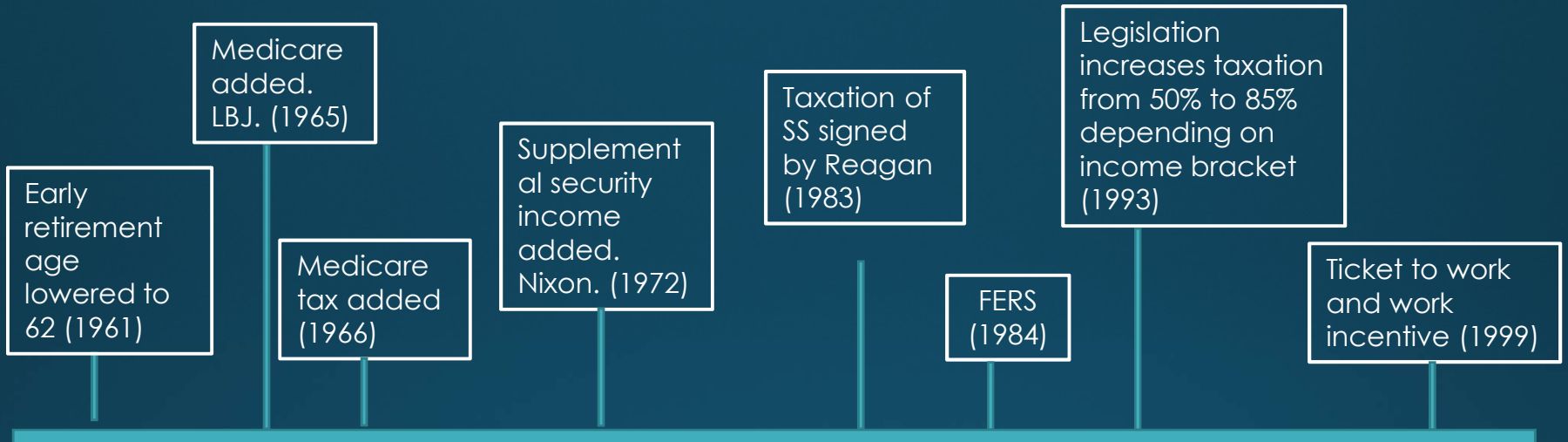


Ida May Fuller, legal
secretary, receives
the first monthly
benefit check for
\$22.54. Lived to 100
yrs. old and paid
into SS for only 3 yrs.
(\$24.75 Total Paid).
Collected a total of
\$20,993 (1940)

COLA
adjustments a
permanent
fixture (1950)

Disability program
added.
Eisenhower (1954)

SS Timeline (cont.)



More Recently...

Clinton signed into the law: Senior Citizens' Freedom to Work Act (2000)

Obama signs the "No benefits for prisoners" Act (2009)



OAS-DI-HI-SMI

How Social Security Works

An employee
pays 6.2% of
his/her salary
into SS Trust
Fund &
1.45% into
Medicare



Employers
pay 6.2% to
the SS Trust
Fund &
1.45% into
Medicare

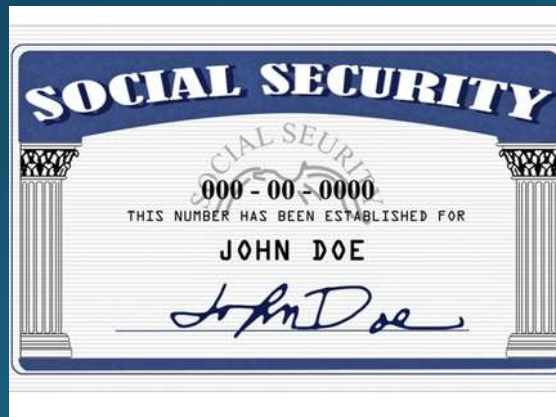
Social Security
Trust Fund

Payments to retirees, disabled, survivors and dependents

Any surplus taxes go to the SSTF, secured in the
form of U.S. Treasury Bonds

Eligibility – So how can I participate?

- Earn and accumulate 40 credits from your working years
- To earn one credit, you must earn \$1320 (2018)
- Max of 4 credits per year may be earned at any time during the calendar year



a Control number		OMB No. 1545-0048	State, account, FAFSA Use e-file	Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)	44-1XXXXXX	1 Wages, incl. other compensation	16500.25	2 Federal income tax withheld	2097.54	
c Employer's name, address, and ZIP code	West Way Books 43 Bookend Rd Albuquerque, NM 87108	3 Social security wages	16500.25	4 Social security tax withheld	1023.02	
d Employee's social security number	444-XX-XXXX	5 Medicare wages and tips	16500.25	6 Medicare tax withheld	239.25	
e Employee's first name and initial	Susan A. Quintana	7 Social security tips		8 Allocated tips		
	1000 Old Club Rd SW Albuquerque, NM 87105	9 Advance EIC payments		10 Dependent care benefits		
f Employee's address and ZIP code		11 Nonqualified plans		12a See instructions for box 12		
		12a		12b		
		12c		12d		
13 State	Employer's state ID number	16 State wages, incl. etc.	17 State income tax	18 Local wages, incl. etc.	19 Local income tax	20 Locality name
NM	44-0XXXXXX-XX	16500.25	404.26			

W-2 Wage and Tax Statement **20XX** Department of the Treasury—Internal Revenue Service
Form 941
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

So now that I have the credits, what's next?

- SSA will calculate your benefits by plugging in some **key factors** into a formula
- Factors:
 - 1) **Your highest 35 years of earnings** that were subject to FICA taxes (different wage bases each year) X **an Index Factor assigned for each year** (inflation adjusted)
 - 2) Sum from step 1 / **420** (35 X 12) = AIME (Average Indexed Monthly Earnings)
 - 3) AIME is **assigned bend points**: 90% (1st \$895) , 32% (2nd \$5397), 15% (the rest)

What is your benefit based on?

Your **PIA** (Primary Insurance Amount)
is

the basic unit used to determine the
amount of each monthly benefit
payable under social security at **FRA** (Full
Retirement Age)

Full retirement age

- Prior to 1937 65
- 1943-1954 66
- 1960 or later 67

Impact of early retirement

- Benefits can start as early as age 62
- $\frac{5}{9}$ of 1% reduction in PIA benefit per month for the first 36 months retired before FRA
- $\frac{5}{12}$ of 1% reduction in PIA benefit per month for each month in excess of 36 months retired before FRA

Impact of Late Retirement

- 3-8% increase in PIA benefit for every one year delay in retirement (depending on your birth year)
- Delayed Retirement Credit
 - 1939-1940 7.0%
 - 1941-1942 7.5%
 - 1943 and later 8.0%

You can continue to work after you claim but...



For Every \$1 You Earn Above...	Benefits are reduced by...
\$17,040 Per Year in the calendar years before you reach FRA	1/2
\$45,360 Per Year in the calendar year in which you reach FRA	1/3

Remember: No Benefits Are Withheld **After** You Reach FRA

Income not subject to earnings test

- Pension income
- Withdrawals from qualified plans
- Passive income (rental home)
- Investment interest
- Investment dividends

How are benefits taxed?

Your adjusted gross income

+ Nontaxable interest (Muni Bond Interest)

+ 1/2 of your Annual Social Security benefits

= Your "**provisional income**"

How are benefits taxed?



	Below	Between	Above
Single	\$25,000	\$25,000-34,000	\$34,000
Married Filing Jointly	\$32,000	\$32,000-44,000	\$44,000
Taxed Portion	0%	50%	85%

Can I estimate what my benefits will look like when I retire?

- Expect your Social Security statement to be mailed to you every 5 years, if you do not have an online account (starting from age 25)
- After age 60, the statements will be mailed to you annually.
- You can always create an account. You must provide personal information to verify your identity and create a username and password

Prevent identity theft—protect your Social Security number

Your Social Security Statement

Prepared especially for Wanda Worker

May 12, 2009 www.socialsecurity.gov
See inside for your personal information →

WANDA WORKER
455 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

What's inside...

Your Estimated Benefit	2
Your Earnings Record	3
Some Facts About Social Security	4
If You Need More Information	4
To Request This Statement In Spanish (Para Solicitar Una Declaración en Español)	4

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.mymoney.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. For decades, 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.