



Social Security: 2021 and Beyond

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Today's Conversation



How Social Security is Structured

Social Security Changes

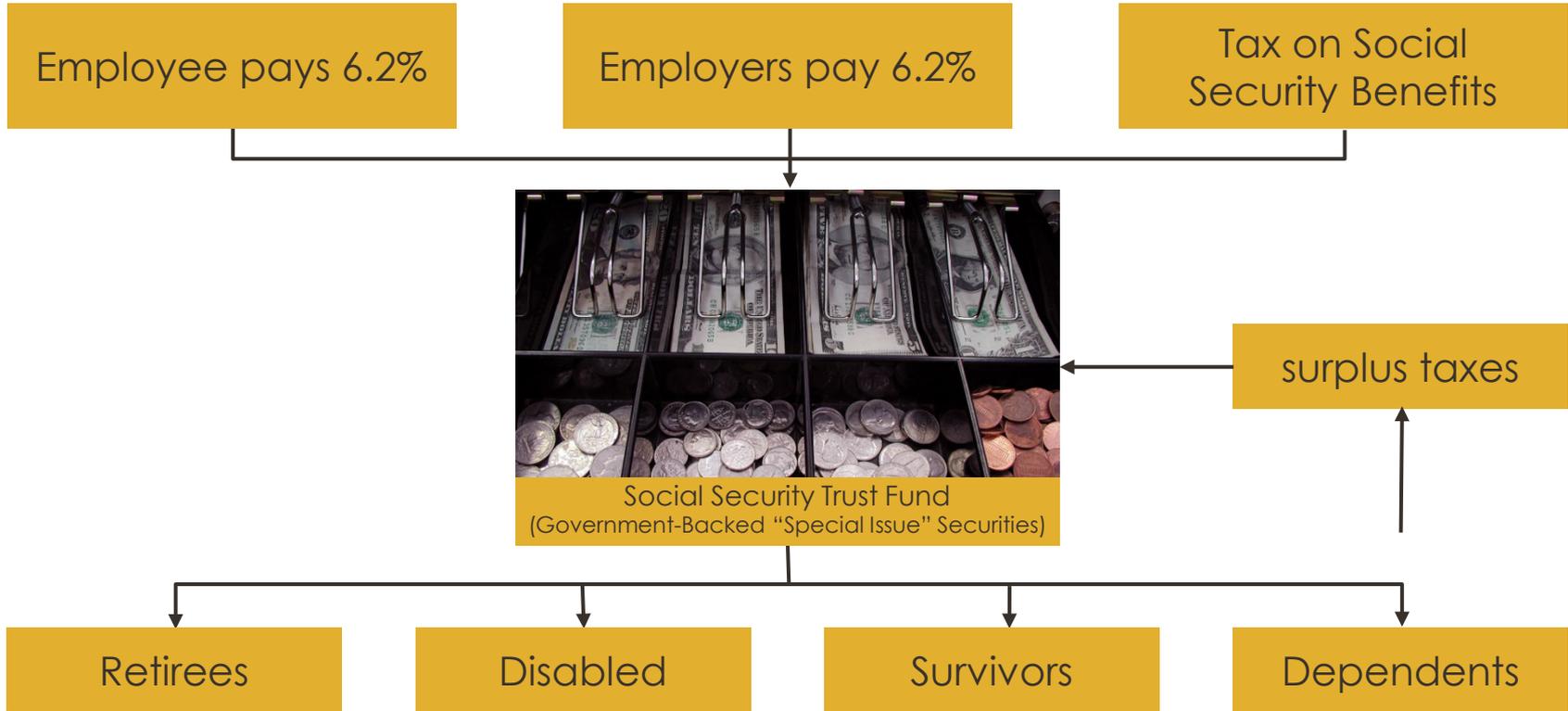
The Basics

Types of Benefits

Claiming Strategies

Questions?

How Social Security Works



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The Social Security Trust fund



\$2.9 Trillion at the end of 2019 (\$2 billion increase from the previous year)

Trust Fund depleted by 2035;
~76% - 79% of benefits can be covered from taxes



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Trust Fund funding and investment



Payroll tax + Taxes on Social Security benefits

Invested in Special Issue securities;
~\$81 billion 2020 interest



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Budget Act of 2015



File and Suspend no longer available, can suspend benefits

Restricted Application available if born prior to Jan. 2, 1954

Deemed Filing moved to 70

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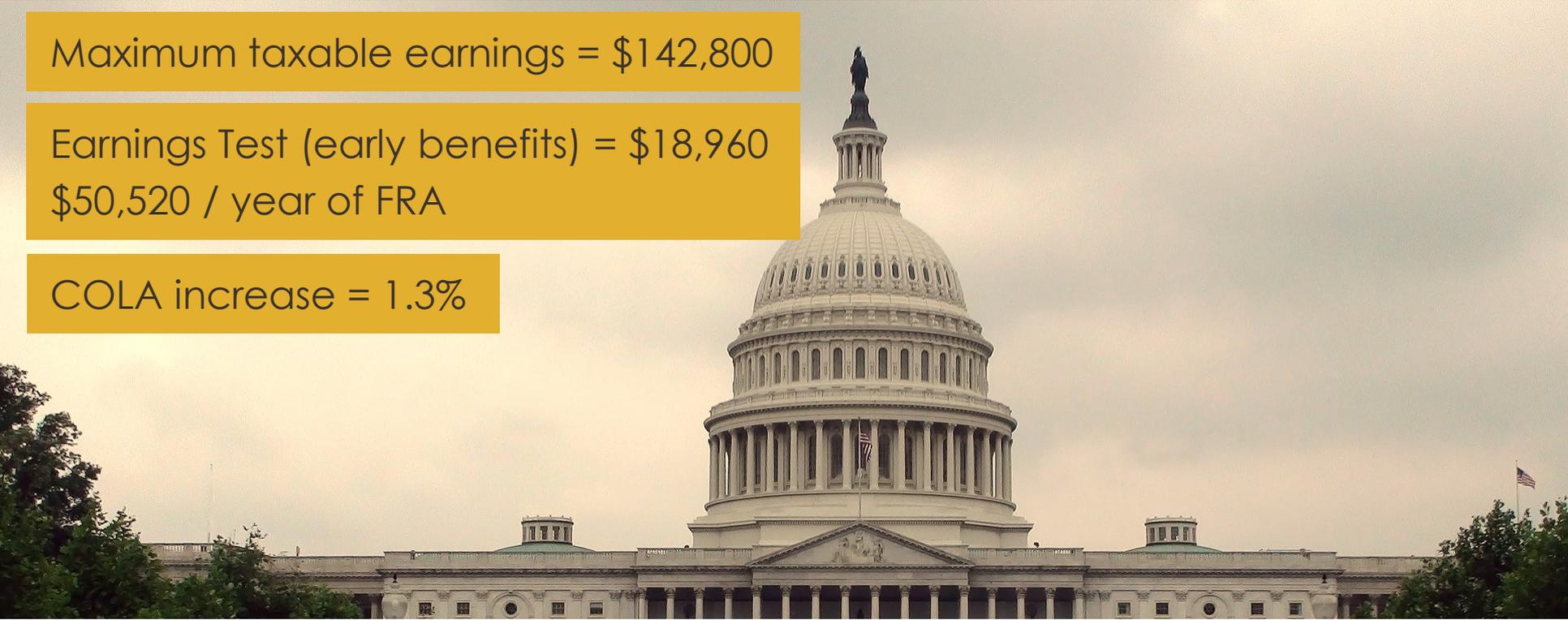
2021 Changes



Maximum taxable earnings = \$142,800

Earnings Test (early benefits) = \$18,960
\$50,520 / year of FRA

COLA increase = 1.3%



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Possible Future Changes



Increase taxable earnings amount

Increase retirement age

Change COLA index

Reduce benefits

Other??



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How to Qualify for Social Security Benefits



Minimum of 40 “quarters of coverage” or credits (10 years of work)

\$1,470 in earnings = one credit

Determining Full Retirement Age



Born between 1943 – 1954 = age 66

Born after 1954 = add 2 months for each year after 1954
(e.g. 1956 = 66 and 4 months)

Born 1960 or after = age 67

Born in 1960 or after = 67

How Benefits are Calculated



35 Highest indexed earnings years divided by 420

90% of first \$996 + 32% of next \$6,002 + 15% of additional amount = FRA monthly benefit

Benefit Reductions



Less than 35 earnings years

Receiving a pension from an employer that did not withhold Social Security tax

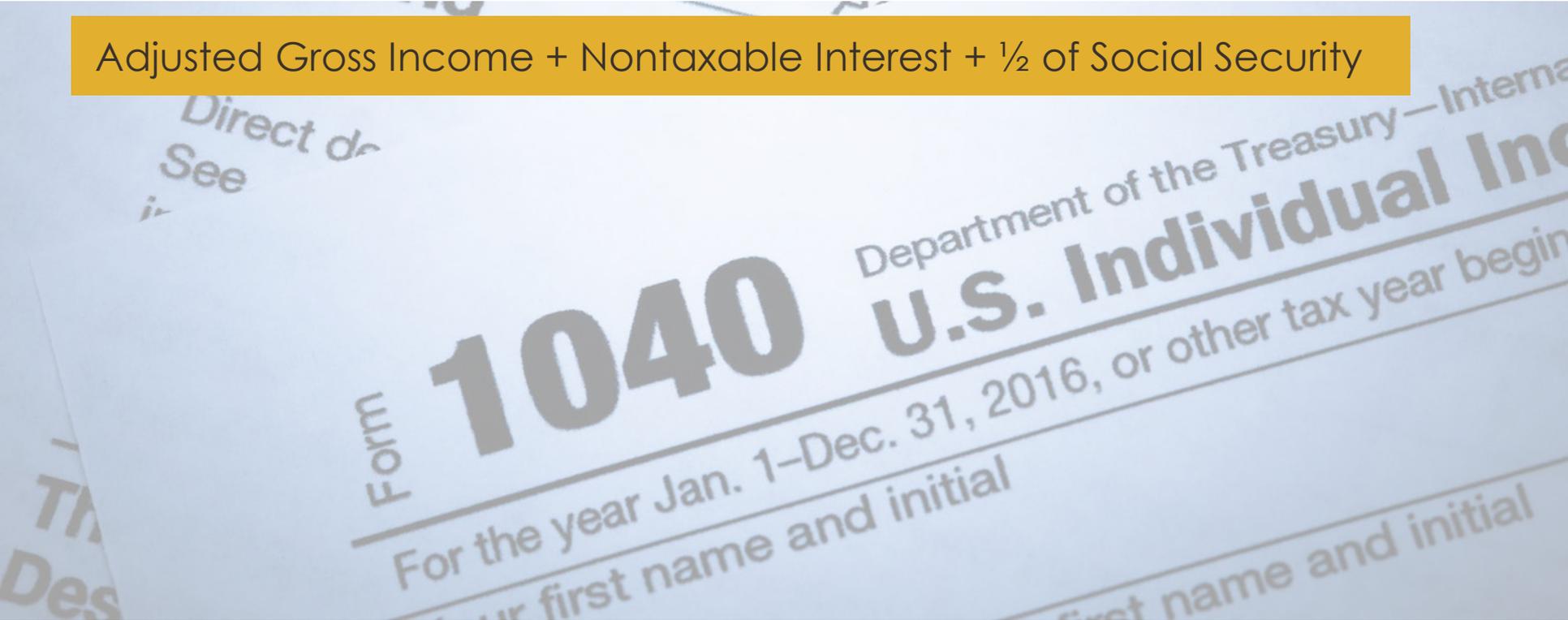
Working + taking benefits prior to FRA

Filing for benefit early

Taxability of Benefits: Combined Income



Adjusted Gross Income + Nontaxable Interest + $\frac{1}{2}$ of Social Security



Taxability of Benefits: Single



Combined Income $<$ \$25,000 / year = no tax

Combined Income \$25,000 - \$34,000 / year = 50% of benefits taxed

Combined Income $>$ \$34,000 / year = 85% of benefits taxed

Taxability of Benefits: Couples



Combined Income < \$32,000 / year = no tax

Combined Income \$32,000 - \$44,000 / year = 50% of benefits taxed

Combined Income > \$44,000 / year = 85% of benefits taxed

Retirement Benefits



Reduced benefit at age 62

Maximum benefit age 70

Full retirement age 66-67



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Spousal Benefits



½ of spouse's FRA benefit

Must be married for 12 months (exceptions apply)

Age 62 reduced benefit

Maximum benefit FRA

Deemed Filing does apply

Survivor Benefits



Full benefit of deceased spouse and on time lump sum \$255

Must have been married for 9 months (exceptions apply)

Cannot remarry prior to age 60 (50 if disabled)

Age 60 reduced benefit (exceptions apply) (widow(er)'s limit)

Maximum benefit FRA (1945 – 1956 = 66)

Deemed Filing does not apply

Divorce Spousal Benefits



Marriage 10+ years

Cannot remarry

Previous spouse currently receiving benefits or age 62 + divorced 2+ years

Deemed filing does apply, family maximums do not apply

Divorce Survivor Benefits



Marriage 10+ years

Cannot remarry prior to age 60 (50 if disabled)

Equivalent to widow/widower benefits

Divorce Decree

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Children's Benefits



Unmarried children up to age 19 (later if disabled)

Biological, adopted, or dependent stepchild

Parent(s) is/are retired, become disabled, or passes away

Potential eligibility based on grandparent's earnings record

Up to $\frac{1}{2}$ of FRA benefit; $\frac{3}{4}$ for survivor benefit

Family maximums apply (~150% to 180% of FRA benefit)

Social Security Disability Insurance

Supplemental Security Income



Life Expectancy
Single or Married
Spousal Benefit
Survivor Benefit
Portfolio Size / Expenses

QUESTIONS?

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