

# How to Maximize Social Security Benefits

What You Need to Know





## **The Resource Group**

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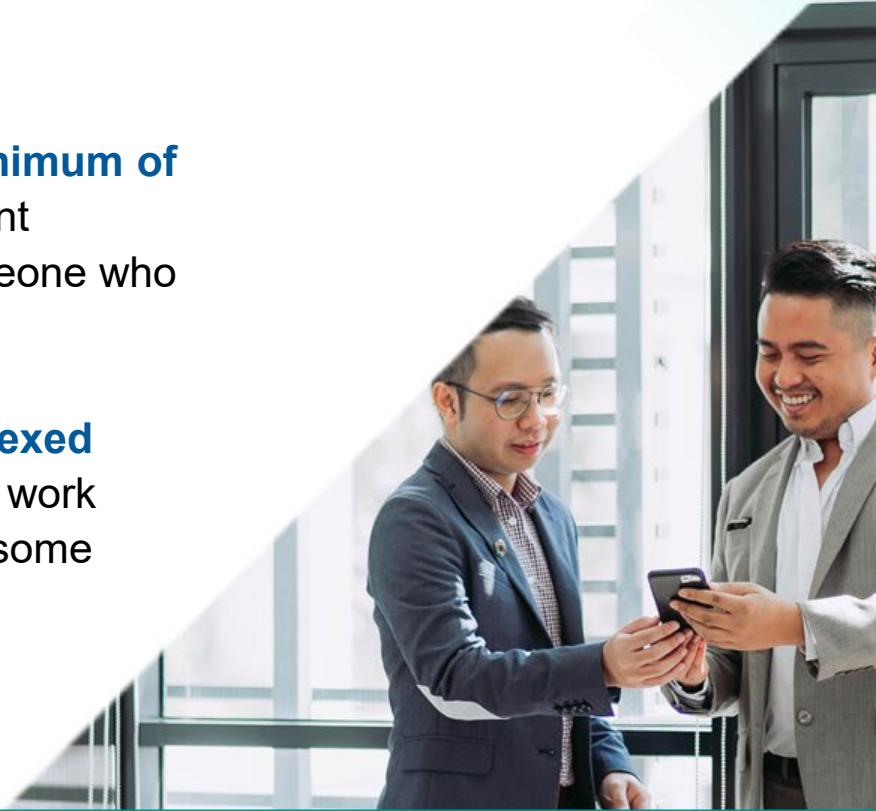
# Learning Objectives

<b>Learn</b>	how claiming age, marital status, and earnings restrictions can affect Social Security benefit amounts.
<b>Discover</b>	how to apply Social Security claiming strategies to maximize benefits for some married couples and eligible divorced spouses.
<b>Understand</b>	that Social Security retirement and survivor benefits represent two different pots of money that can be claimed at different times.

# Eligibility for Benefits

**You must work at least 10 years to earn a minimum of 40 credits** to qualify for Social Security retirement benefits or be married to (or divorced from) someone who is eligible to claim Social Security.

**Benefits are based on the top 35 years of indexed earnings and your age at time of claim.** If you work fewer than 35 years, the calculation will include some zeroes and reduce future benefits.



# Your Age Matters

**You can collect Social Security retirement benefits as early as 62**, but they will be permanently reduced by 25% or more. SSA must pay you your own benefits first, topped off by a spousal amount if larger.

**If you wait until your full retirement age (FRA)**, which ranges from 66 to 67 depending on birth year, you can collect your full retirement benefit even if you continue to work. People who were born before 1954 may have additional claiming options.

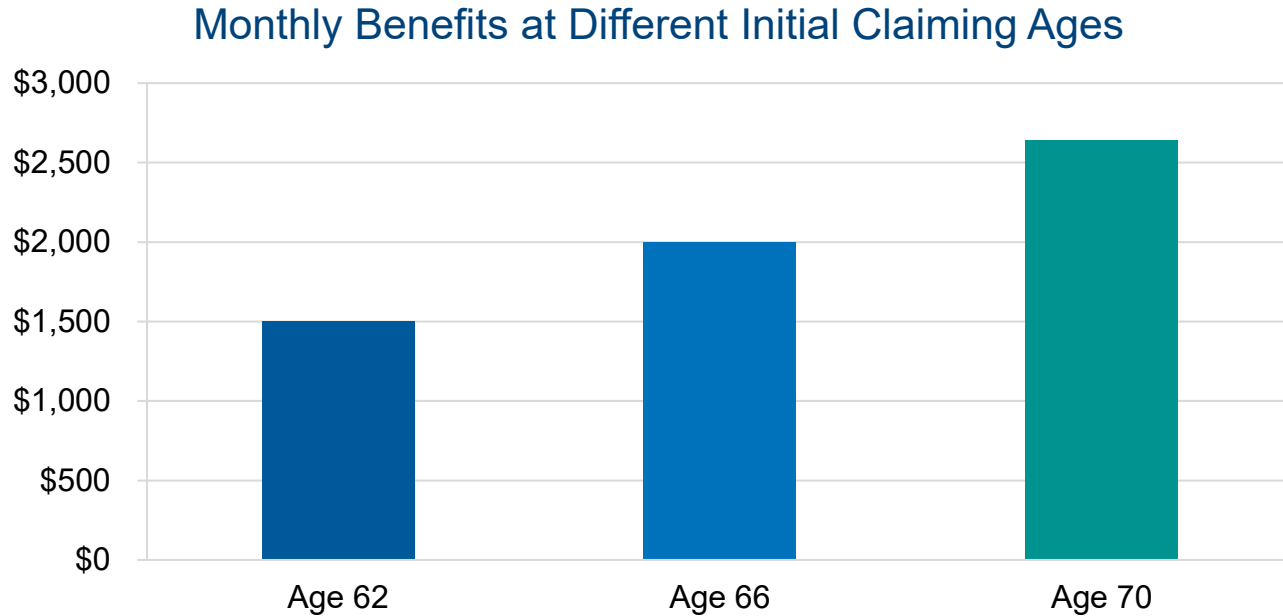
**If you delay collecting benefits beyond your FRA, you can increase the amount by 8% per year up to age 70.**

# Find Your Full Retirement Age\*

Birth Year	Full Retirement Age	Benefit Reduction at 62
1943 – 1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 and later	67	30.00%

\* Your FRA for survivor benefits may be different

# The Value of Waiting: 76% Increase in Monthly Benefits for Life



# Delayed Retirement Credits

**The 8%-per-year increase in benefits between FRA and 70 applies *only* to the worker's retirement benefit.** It does not apply to a spousal benefit. The maximum spousal benefit is worth 50% of the worker's full retirement age (FRA) benefit amount if the spouse claims at her FRA or later.

**But if one spouse (or ex-spouse) delays benefits until 70 and later dies, the surviving spouse or surviving ex-spouse is entitled to a survivor benefit worth 100% of the deceased worker's benefit**—including any delayed retirement credits. At that point, the smaller retirement benefit would end.

# Should You Delay Social Security?

## Pros

- Bigger benefit for each year you postpone claiming between 62 and 70
- Creates a larger base for future COLAs (Cost of Living Adjustments)
- Provides a potentially larger survivor benefit

## Cons

- Reduced cash flow now
- Higher breakeven age to make delaying worthwhile
- Could die before claiming

# Earnings Cap

**If you collect Social Security benefits before FRA and continue to work**, you lose \$1 in benefits for every \$2 earned over \$19,560 in 2022.

**Higher limits apply in the year you reach FRA**, losing \$1 in benefits for every \$3 earned over \$51,960 in 2022 in the months before FRA.

**The earnings cap disappears at FRA.**



# #1 Rule

**In most cases it makes no sense to claim Social Security benefits before FRA if you work.**

**All types of benefits**—retirement, spousal and survivor—are subject to income limits on earnings if collected before FRA.

**Benefits lost to excess earnings are not gone forever.** They will be restored in the form of higher monthly benefits after FRA.



# Strategies for Married Couples

**In most cases, it makes sense for the higher-earning spouse to delay benefits up to age 70** to lock in the maximum retirement benefit as well as the largest survivor benefit for the spouse left behind.

**The lower-earning spouse may want to claim reduced benefits early at 62**, assuming she or he is no longer working, or at FRA if still working (when earnings restrictions end). This split strategy increases household cashflow while the other spouse delays benefits.



# Spouse's Benefit Amount

**Based on your age at time of claim and comparison of your own benefit to spouse's benefit amount.**

- If your own benefit is larger than half of your spouse's FRA benefit, you will receive a retired worker's benefit on your own earnings record. You will not collect a spousal benefit.
- If your retirement benefit is smaller, your benefit will be topped off by excess spousal amount to bring the combined total up to half of your ex-spouse's FRA, assuming you are at least full retirement age; less if you claim Social Security before FRA. The worker must claim Social Security to trigger benefit for spouse.

# Some Spouses Must Wait to Claim

**Spouses with no Social Security benefits of their own must wait** for the working spouse to claim retirement (or disability) benefits before they can collect. Spousal benefits are worth up to 50% of worker's FRA amount.

**Different rules apply to eligible divorced spouses.**



# Disappearing Claiming Strategy

**Individuals who were born on or before 1/1/1954, have a special claiming option.**

- If you wait until FRA or later to claim Social Security, you can file a “restricted claim for spousal benefits” and collect half of your spouse’s or ex’s FRA amount while allowing your own retirement benefit to grow up to age 70. Then switch to your own maximum benefit. That assumes the other spouse has already claimed Social Security. (Different rules for ex-spouses.)
- People born after 1/1/1954 can not use this valuable claiming strategy. Whenever they claim Social Security, they will be “deemed” to file for all available benefits.

# Goal: Maximize Survivor Benefits

**Spousal benefits = 50% of worker's FRA benefit.**

**Survivor benefits = 100% of worker's benefit,**

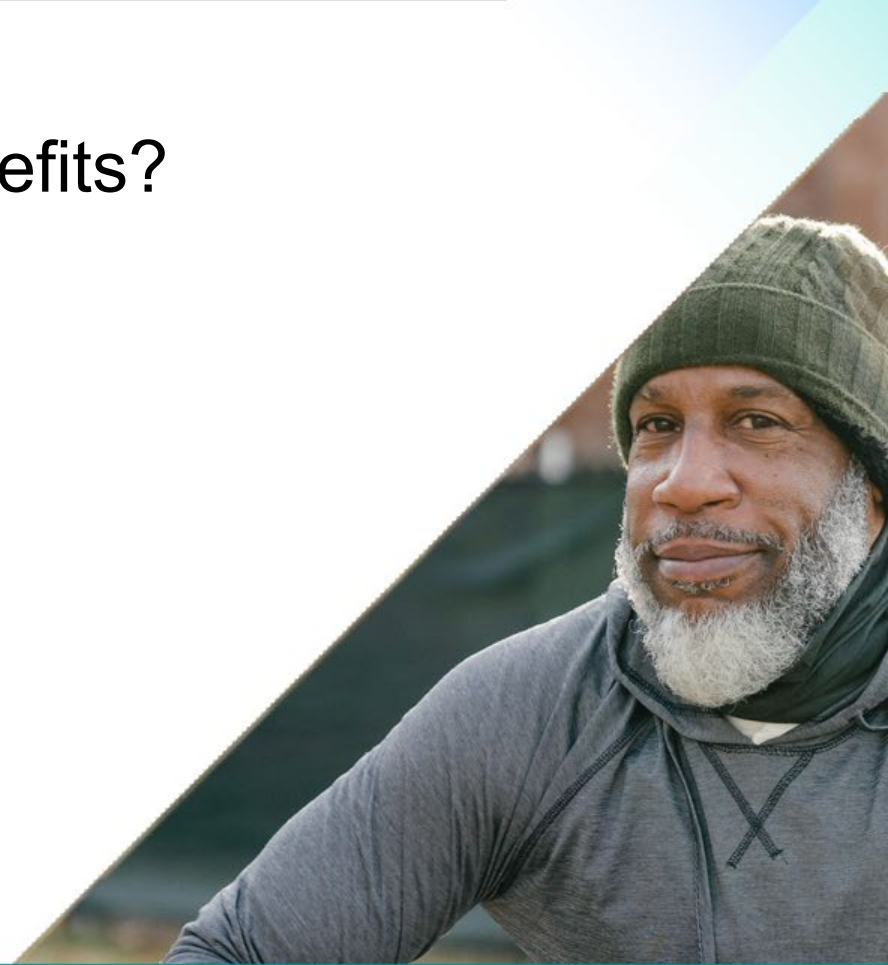
including any delayed retirement credits, if surviving spouse is at least FRA; less if collected earlier.

**Even if one spouse claimed reduced retirement benefits early,** it will have no impact on her survivor benefits if she is at least FRA when she claims them.



# How Much are Survivor Benefits?

Start Age	% of Deceased Worker's Benefit
60	71.5
61	76.3
62	81.0
63	85.8
64	90.5
65	95.3
66	100.0



# Social Security Rules for Divorced Spouses

Must be **married at least 10 years** before divorcing.

**Currently unmarried to claim spousal benefits**  
(different rules for survivor benefits).

Both ex-spouses must be **at least 62 years old**.

**Plus, if divorced at least 2 years**, you can claim benefits on your ex even if your former spouse has not yet filed for Social Security.



# Survivors Can Switch Benefits

**Widows, widowers and surviving ex-spouses can collect survivor benefits** as early as age 60 but are subject to benefit reductions if claimed before FRA and the earnings cap if they continue to work.

**They can collect survivor benefits initially—worth up to 100%** of the deceased spouse's benefit—and then switch to their own benefit that continues to grow at 8% per year until age 70. Or they could collect their own reduced retirement benefit first and switch to maximum survivor benefits at FRA.

**Survivor benefits and retirement benefits represent two different pots of money.** Eligible survivors who are also entitled to their own retirement benefit can switch benefits regardless of their birth date.

# Strategies for Singles

## For those who never married or who were divorced before 10 years of marriage:

- Benefits based on age at time of claim.
- Delaying claiming benefits until age 70 will result in a larger monthly payment but it may not be worth waiting that long since no one will collect a survivor benefit if you die before claiming Social Security.
- Consider claiming at FRA and banking the benefits if you don't need them.



# Two Do-Over Strategies

**If you change your mind within 12 months of first claiming retirement benefits**, you can withdraw your application for benefits and repay the money you have already received and then restart your benefits later at a higher rate.

**Or, if you wait until FRA or later**, you can suspend your benefits—but not repay them—and earn 8% per year up to age 70.



# Lump Sum Option

Anyone who claims Social Security after their full retirement age (FRA) can request a lump sum payout of up to six months of retroactive benefits beginning no sooner than FRA.

For example, if your FRA is 67 and you claim benefits at 68, you can request six months of retroactive benefits payable in a lump sum. Going forward, your monthly benefit would be based on your claiming age of 67 ½.

You cannot receive Delayed Retirement Credits for the same period that you received retroactive benefits.

# Don't Forget the Kids

**Children under age 18 or disabled adult children are eligible for dependent benefits** when a parent collects Social Security or survivor benefits after a parent dies.

**Dependent benefits are worth 50% of the parent's FRA amount.** Survivor benefits are worth 75% of deceased parent's benefit.

**A spouse of any age can qualify for spousal benefits** when caring for a child under age 16.

**There is a family maximum limit.**



# How Social Security Benefits Are Taxed

Combined Income = AGI + Tax-Exempt Interest + 50% of SS Benefits

Filing Status	Combined Income	Benefits Taxable Up To
Single	<\$25,000	0%
Single	\$25,000 - \$32,000	50%
Single	>\$32,000	85%
Married Filing Jointly	<\$34,000	0%
Married Filing Jointly	\$34,000 - \$44,000	50%
Married Filing Jointly	>\$44,000	85%

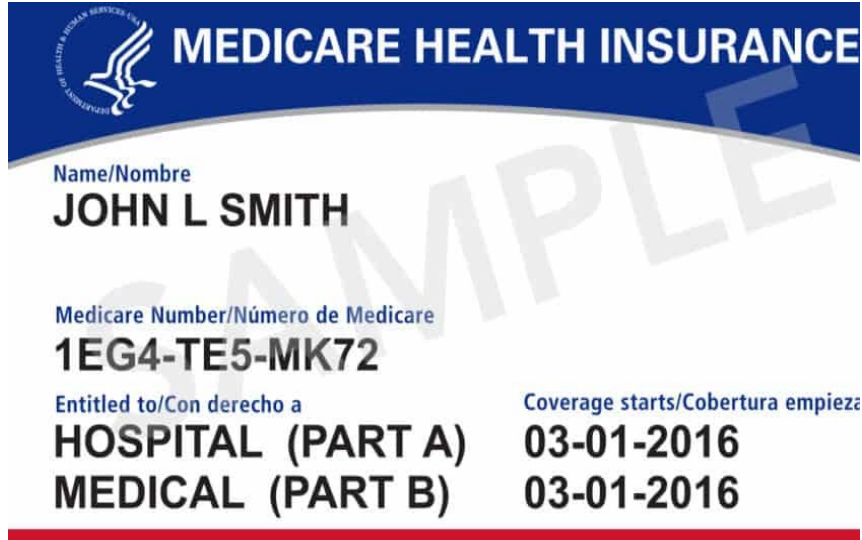
# Most States Don't Tax Social Security Benefits

But these 12 states do tax Social Security Benefits:

Colorado	Connecticut
Kansas	Minnesota
Missouri	Montana
Nebraska	New Mexico
Rhode Island	Utah
Vermont	West Virginia



# Medicare



The image shows a Medicare Health Insurance card for John L. Smith. The card has a blue header with the Medicare logo and the text "MEDICARE HEALTH INSURANCE". Below the header, the cardholder's name is listed as "JOHN L SMITH". The Medicare Number is "1EG4-TE5-MK72". The card lists two types of coverage: "HOSPITAL (PART A)" and "MEDICAL (PART B)", both starting on "03-01-2016". A large "SAMPLE" watermark is visible across the card.

**MEDICARE HEALTH INSURANCE**

Name/Nombre  
**JOHN L SMITH**

Medicare Number/Número de Medicare  
**1EG4-TE5-MK72**

Entitled to/Con derecho a	Coverage starts/Cobertura empieza
<b>HOSPITAL (PART A)</b>	<b>03-01-2016</b>
<b>MEDICAL (PART B)</b>	<b>03-01-2016</b>

- Medicare Part A hospital insurance is premium-free.
- Medicare Part B, which covers doctors' fees and outpatient services, charges a monthly premium deducted from Social Security benefits or billed directly if beneficiary is not yet collecting Social Security.
- Medicare Part D optional drug coverage also has a monthly premium.
- Or, you can choose bundled services through a Medicare Advantage plan that combines Parts A & B, drug coverage and extra benefits such as vision, dental & hearing aids but you must use network providers.

# Initial Medicare Choices

## Original Medicare:

- Part A (hospital)
- Part B (doctors)
- Medigap Supplement
- Part D drug coverage

Accepted anywhere in the  
USA;

More costly when including  
optional medigap

## Medicare Advantage Plan

- Part A (network hospitals)
- Part B (network doctors)
- Usually includes drug coverage
- Often adds extra benefit such as vision, dental, hearing aids

May be cheaper but more  
restrictive

# Medicare Enrollment Rules

You must sign up for Medicare during your initial seven-month enrollment period which begins 3 months before your 65<sup>th</sup> birthday and extends for 3 months beyond your birthday.

If you fail to enroll on time, you could face lifelong delayed enrollment penalties.

Exception: you can delay enrolling penalty-free if you have group health insurance through your *current* employer or through your spouse's *current* employer. Enroll in Medicare when that insurance ends.

# Annual Medicare Open Enrollment

## October 15 – December 7

Opportunity to make changes to your Medicare Advantage plan or Part D prescription drug plan for coverage beginning January 1.

- Join new Advantage or Part D plan
- Switch from original Medicare to Advantage plan
- Switch from Advantage to original Medicare (but may be hard to qualify for your preferred medigap plan)

Key question: Have your prescriptions changed? If yes, shop for new drug coverage in Part D or Advantage plan



# Medicare Premiums Are Based On Income

- Premiums for Medicare Parts B and D are tied to income. The higher the income, the higher the monthly Medicare premiums.
- There are six income brackets that determine the surcharge known as Income Related Monthly Adjustment Amount (IRMAA). These are cliff brackets. If your income exceeds the upper limit by just \$1, you will pay the surcharge applicable to the next higher IRMAA bracket.
- Medicare premium surcharges as based on the latest available tax returns. IRMAA surcharges for 2022 are based on 2020 tax returns filed in 2021. MAGI includes AGI + tax-exempt interest.

# 2022 Medicare B IRMAA Rates

Premiums/Surcharges are per person ages 65 or older

MAGI in 2020	MAGI in 2020	IRMAA Surcharge 2022	Total Monthly Cost 2022
Individual Return	Joint Return		
<\$91,000	<\$182,000	\$0.00	\$170.10
\$91,001 - \$114,000	\$182,001 - \$228,000	\$68.00	\$238.10
\$114,001 - \$142,000	\$228,001 - \$284,000	\$170.10	\$340.20
\$142,001 - \$170,000	\$284,001 - \$340,000	\$272.20	\$442.30
\$170,001 - \$500,000	\$340,001 - \$750,000	\$374.20	\$544.30
>\$500,000	>\$750,000	\$408.20	\$578.30

# Reasons to Appeal IRMAA Notice

- Respond to IRMAA notification letter immediately if your income has declined due to one of these “life changing events”. Appeal instructions included in notification letter:
- You married, divorced, became widowed
- You or your spouse retired or reduced your work hours
- You lost income-producing property in a disaster area
- You or your spouse’s pension was terminated

# Some Income Doesn't Count in MAGI

- Distributions from Roth IRAs/Roth 401(k)s
- Distributions from Health Savings Accounts used to pay medical expenses
- Loans/distributions from cash value life insurance
- Proceeds from a reverse mortgage
- Qualified Charitable Distributions of up to \$100,000 per year paid directly from IRA to a charity. Can be used to satisfy some or all of an IRA owner's RMD. Available starting at age 70 ½ (even though RMDs now start at 72).



[www.MaximizingSocialSecurityBenefits.com](http://www.MaximizingSocialSecurityBenefits.com)