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SOCIAL SECURITY
Questions and Answers

Q: I hear that Social Security is in financial trouble. Shouldn't I start taking my benefit as soon as possible?

A: The demise of Social Security has been predicted ever since the program began. The fact is, however, that this is an extremely important social program that is currently paying benefits to more than 69 million Americans.[1]

The 2019 Annual Report of the Social Security Trustees projects that, unless changes are made, retirement benefits will have to be reduced by about 20% in 2034.[2] The important thing to keep in mind is that we have *15 years* to fix this. If the long-term shortfall were addressed solely by raising the payroll tax, Social Security's funding gap could be solved by having employers and employees each contribute about 1.4% more – roughly $14.00 for every $1,000 in annual earnings up to the annual limit. This would fix the program's finances *for the next 75 years*.

The last time Congress took major steps to shore up Social Security's longterm financial outlook was 1983. In the 37 years since then, America has experienced significant demographic changes: there's been a slight decline in the birthrate since the Baby Boom ended and people are living longer. These are the largest factors affecting Social Security's finances. We are simply at another point in time where we need to make adjustments to the program.

1. Monthly Statistical Snapshot, Jan. 2030. www.ssa.gov/policy/docs/quickfacts/stat.snapshot/index.html?qs

2. "Overview." The 2019 Annual Report of the OASDI Trustees Report. "https://www.ssa.gov/OACT/TR/2019/II_A_highlights.html#

Q: What is Full Retirement Age?

A: Full Retirement Age is the age at which you are eligible to receive:

- 100% of the retirement benefit you personally earned through working and contributing to Social Security
- The maximum spousal benefit of 50%
- The maximum divorced spouse benefit of 50%
- A 100% widow/widower's or surviving divorced spouse benefit

When Social Security began, the Full Retirement Age (FRA) was set at 65. However, starting with those born in 1938, it has gradually increased. For anyone born from 1943–1954, Full Retirement Age is now 66. As you can see in the nearby chart, Full Retirement Age begins to increase again starting with those born in 1955. It reaches 67 for those born in 1960 or later.

Knowing your Full Retirement Age is important because if you begin any type of Social Security benefits prior to your Full Retirement Age, the benefit you receive is generally reduced.

Age to Receive Full Social Security Benefits
(Called "Full Retirement Age" or "Normal Retirement Age.")

Year of Birth[3]	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	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 and later	67

3. If you were born on January 1st of any year, you should refer to the previous year. (If you were born on the 1st of the month, Social Security figures your benefit (and your full retirement age) as if your birthday was in the previous month.)

Source: https://www.ssa.gov/planners/retire/agereduction.html#chart

Q: What is the best age to start Social Security?

A: The longer you can delay the start of benefits, the bigger your monthly check will be. But that doesn't mean everyone should wait as long as possible. The "best" age to file is when you need the income. Individuals who have retirement accounts and other income sources, may be able to afford claiming later. On the other hand, those who don't have other potential sources of retirement income might need to file earlier.

Q: If a person has a short life expectancy, why shouldn't they begin taking Social Security as soon as possible?

A: If they are married, don't need the additional income and are the spouse who has earned the higher benefit, they should consider delaying the start of benefits as long as possible, regardless of their life expectancy. The later they claim, the larger the widow/widower's benefit their surviving spouse will receive. This can make a significant difference in her or his standard of living.

The same is true if you are single: if you live longer than you expect, filing "early" means you are locking in a lower benefit *for the rest of your life*.

Q: What are "Delayed Retirement Credits" and how do they work?

A: You receive Delayed Retirement Credits when you postpone taking Social Security at your Full Retirement Age. The credit increases your benefit by 8% every 12 months. Since Delayed Retirement Credits stop once you reach age 70, there is no advantage in waiting beyond age 70 to file.

Q: Are all benefits eligible for Delayed Retirement Credits?

A: No. You only receive Delayed Retirement Credits when you postpone receiving the benefit that you, *yourself*, earned. Spouse and Widow(er)'s benefits do not earn Delayed Retirement Credits. In other words, you gain nothing by delaying the start of spousal or widow(er)'s benefits past Full Retirement Age.

Q: Can I stop receiving benefits and re-start them at a future date?

A: Yes. However, the requirements you have to meet and the steps to take depend upon whether you are under or over full retirement age. In addition, if you signed up for Medicare, you need to decide if you wish to continue this coverage and how it might be affected. It is important to recognize that stopping Social Security could also impact anyone else who is receiving a benefit based upon your work history, such as your spouse or children. Please see the next questions.

Q: You are under Full Retirement Age and decide to go back to work?

A: This is only an option if you have received benefits for less than 12 months.

In addition, you must be prepared to re-pay all of the benefits that you and anyone else –such as your spouse or a child– has received based upon your record. You must also repay any money that you told Social Security to withhold from your monthly check and forward to the IRS or Medicare to cover taxes or monthly insurance premiums.

There is no interest charged on the amount you have to re-pay. However, once your application to withdraw is approved, you must send Social Security a check for the entire amount.

To start the process:

1. Fill out and submit Form SSA-521, which can be found on the Social Security website, http://www.ssa.gov.
2. Since anyone receiving a benefit tied to yours (e.g., a spouse) will lose theirs as well, they must consent to your request to withdraw.

If this process is done correctly, you can re-apply for Social Security at a later date when your benefit will be higher. However, you only have one opportunity to change your mind and start over.

Q: What do you have to do to stop receiving your benefit if you are Full Retirement Age or older?

A: At any point between Full Retirement Age and age 70 you can request that Social Security suspend, that is stop sending you your monthly check. From that point on, your suspended benefit will earn Delayed Retirement Credits. Keep in mind that anyone else getting a benefit that is tied to yours—such as a spouse or dependent—will see their benefit suspended as well. This does not apply to a divorced spouse.

1. There is no special form to fill out. You can notify Social Security in person, by phone or in writing that you wish to "suspend" your benefit.
2. Once it is suspended, your benefit will begin to earn Delayed Retirement Credits.
3. When you reach age 70, Social Security will automatically resume sending your monthly check.

Q: How does "file-and-restrict" work?

A: This filing strategy is being phased out, due to the Bipartisan Budget Act of 2015.

File-and-restrict comes into play when an individual who is at least Full Retirement Age has qualified for a benefit based upon their own earnings record as well as a benefit based upon their spouse's record. In general, Social Security automatically pays you whichever benefit is higher. *You never get both*. However, if you were at least age 62 as of *January 1, 2016, and you wait until Full Retirement Age to file*, you can specify which benefit—yours or your spousal amount—you wish to receive.

Essentially, you are telling Social Security, "Since I'm entitled to more than one type of benefit, I am choosing to 'restrict' this to just my 50% spousal amount at this time." Why would you want to accept a smaller benefit? Because when you delay taking your *own* benefit, it earns Delayed Retirement Credits. By age 70, could be as much as 32% larger.

This strategy is also available to divorced spouses who meet the requirements.

Q: How are Social Security benefits taxed?

A: Social Security benefits were tax-free up until 1983 when Congress passed a major overhaul of the program in an attempt to shore up Social Security's long-term financial outlook. Whether your benefits are subject to income tax depends upon two things: your filing status (e.g., single, married filing jointly, or married filing separately) and your "provisional income."[4] Provisional income is determined by adding:

Modified Adjusted Gross Income[5]
+ ½ Social Security Benefit[6]

Combined Income

If your provisional income exceeds a certain amount, then a *portion* of your Social Security benefits is taxable as ordinary income.

Filing Status	**Combined Income** (Threshold #1) Up to 50% of benefits may be taxable	**Combined Income** (Threshold #2) Up to 85% of benefits may be taxable
Single	$25,001–$34,000	More than $34,000
Married, Filing Joint[7]	$32,001–$44,000	More than $44,000

The instructions to IRS form 1040 include a worksheet that helps you determine how much of your Social Security income may be subject to income tax. You can get more details in IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*.

4. "Combined income" is also referred to as your "combined income."

5. "Modified Adjusted Gross Income" is generally your income, including tax-exempt interest and certain U.S savings bonds, less most deductions in determining your AGI. Itemized deductions and personal exemptions are not taken into account.

6. If you file a joint return, include 50% of each spouse's total Social Security benefit for the year.

7. According to Social Security, if you are married and file a separate tax return, "you probably will pay taxes on your benefits." Source: www.socialsecurity.gov/planners/taxes.htm

Q: If you're divorced, are you eligible for a benefit based on your ex-spouse?

A: Yes, if you meet the criteria. You must have been married for at least 10 years and currently be age 62 or older. If you meet these criteria and your former spouse has filed for Social Security benefits, you can apply for a "Divorced Spouse" benefit immediately. If he or she has not yet filed, then you must be divorced a minimum of two years before you can receive a benefit. Your divorced spouse benefit will be compared to the amount you yourself earned and you will receive whichever amount is higher. If you remarry, you may no longer be eligible for a divorced spouse benefit.

For a list of the documentation you might have to provide, visit https://www.ssa.gov/forms/ssa-2.html.

Q: Will Social Security notify my ex-spouse that I am filing for a benefit based upon his/her record?

A: Typically, no. Furthermore, it will not affect the benefit your ex-spouse is entitled to. If s/he has re-married, it will have no impact on the benefit their new spouse will receive.

Q: I understand that I will lose some or all of my Social Security benefit if I go back to work. That doesn't seem fair.

A: This only comes into play if you are receiving both Social Security *and* income from a job.* If this is the case, then the "Earnings Limit" applies. (This amount is adjusted annually for inflation.)

You are not reaching Full Retirement Age in 2020: The limit is $18,240 in pre-tax gross earnings. For every $2 above this amount, Social Security will withhold $1 in benefits. If your earnings exceed $54,720, your entire Social Security benefit could be withheld. By law, if you know you are going to be working, you must notify Social Security and provide an estimate of your expected earnings. They will adjust the payments they send you. If you over- or under-estimate your earnings, this can be corrected later.

You are turning Full Retirement Age in 2020: A different earnings limit applies. Only the income you earn through the month *before* you reach Full Retirement Age is counted. This can be as much as $48,600 before there is any reduction in your benefit. However, for every $3 in earnings above this amount, Social Security will reduce your benefit by $1. Starting in the month you reach Full Retirement Age, the earnings limit no longer applies. No matter how much you earn, you will receive your full Social Security benefit.

Important! Benefits that Social Security withholds due to the earnings limit are *credited to your account*. You do not "lose" this money. Once you reach Full Retirement Age your benefit will be increased to account for benefits withheld prior to that point.

In addition, if your most recent earnings are higher than those in previous years, your monthly benefit could increase even more.

*Income from investments, an annuity or a pension is not considered "earned income."
https://ssa.gov/planners/retire/whileworking.html
https://www.ssa.gov/news/press/factsheets/colafacts2020.pdf

Q: How will my Social Security benefit be affected if I was still working at my regular job and then retired part-way into the year? At that point, I will have easily earned more than the annual limit. Will I get any benefit at all? What if I get a job working part-time?

A: There is a special rule for this exact situation. It is only relevant if you are *not* turning Full Retirement Age in the year you leave your primary job.

Under this rule, you can get a full Social Security check for any whole month you are retired, no matter how much you earned in the months *before you retired*. Even if you take another job, you will still be considered "retired" provided you don't earn more than $1,520/month.[8]

Although you can choose when you want this one-time exception to apply, this option is usually most beneficial in the year that you retire from your primary job.

8. The annual earnings limit of $18,240 divided by 12 months in the year.
See: "Getting Benefits While Working", https://www.ssa.gov/planners/retire/whileworking.html

Q: What about Social Security benefits for same-sex couples?

A: Provided they were married in the United State or in a foreign jurisdiction that recognizes same-sex marriage, these individuals are eligible for the same rights and benefits as heterosexual couples.

Q: Why is Social Security so complicated?

A: Because life is complicated! People get married, divorced, they re-marry, they die, they have children, they adopt children, they get injured, they lose a job, find a new job, etc. Over the past 85 years Congress has passed legislation so that Social Security can adapt to our changing society. The most recent example is the extension of benefits to same-sex couples.

In addition, Congress has made a number of significant changes to Social Security—adding new benefits, such as "early" retirement at age 62 and expanding existing benefits, such as enlarging the definition of "disability" to include mental/emotional conditions which impede someone's ability to hold down a job.

Q: I worked in both the government and private sector. Why will my public pension reduce the amount of my Social Security benefit?

A: The "Windfall Elimination Provision" (WEP) reduces your Social Security benefit if you: 1) are entitled to a pension from a government job that did not deduct Social Security tax from your paychecks, *and* 2) also worked in jobs where you contributed to Social Security. The aim of the WEP is to adjust your benefit so that you are not awarded a large amount even though you only contributed to the program for a relatively short period of time.

The reduction in your benefit depends upon several factors: the year you reach age 62, your annual private sector earnings and how many years you paid Social Security (payroll) tax. There is *no reduction* in your benefit if you have 30 or more years of "substantial" earnings under Social Security.

For instance, if you turn 62 in 2020 and have fewer than 20 years of "substantial" income from private sector jobs, your Social Security check could be reduced by as much as $384/month. or 50% of your government pension – whichever is *less*. A WEP calculator can be found at https://www.ssa.gov/planners/retire/anyPiaWepjs04.html. For more information, see https://www.ssa.gov/pubs/EN-05-10045.pdf

Q: As a public school teacher I never paid into Social Security. I hear that my teacher's pension will reduce the Social Security spousal benefit I'm eligible for on my husband's earnings record.

A: According to the Government Pension Offset rule, if you are eligible for a benefit as a current, divorced or surviving spouse, Social Security will reduce your benefit by two-thirds of the amount of your public pension. This could result in you receiving *no* spousal benefit at all. For instance, say your pension is $1,200/month and your Social Security benefit as a current spouse is $800/month. Since two-thirds of your pension amount equals $800, you would not be eligible for any Social Security spousal benefit. For more information, see https://www.ssa.gov/pubs/EN-05-10007.pdf

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