

Savvy Social Security Planning

WEP WINDFALL ELIMINATION PROVISION



May apply to you if you receive a pension from a non-Social Security covered job—that is, a job in which you did not pay into Social Security. If you also have enough credits to qualify for Social Security, your Social Security benefit may be reduced under the Windfall Elimination Provision (WEP).

Congress instituted the WEP in 1983 to remove what was believed to be an unfair advantage: duplicate over-weighting of the first tier of earnings among people whose primary job wasn't covered by Social Security. In calculating the primary insurance amount (PIA), your averaged indexed monthly earnings (AIME) are divided into three “portions.” The first portion is multiplied by .90; the second portion is multiplied by .32; and the third portion is multiplied by .15. This formula gives more weight to that first tier of earnings. Because your actual first tier of earnings from the noncovered job isn't being counted in the PIA formula, for Social Security purposes that first portion may be multiplied by .40 instead of .90. This can have the effect of reducing your PIA by more than \$400, depending on the bend points used for your age cohort.

If you worked more than 20 years in a covered job, the multiplier is higher, ranging from .40 to .90 depending on how many years worked. If you worked more than 30 years in a covered job, the WEP goes away entirely. In order to count, the earnings must be “substantial” as defined by SSA for this purpose.

If you will be receiving a pension from a noncovered job and would like to estimate your WEP-adjusted Social Security benefit, visit the SSA WEP Calculator at ssa.gov/planners/retire/anyPiaWepjs04.html.

Year	Substantial Earnings	Year	Substantial Earnings
1966–1967	\$1,650	1995	\$11,325
1968–1971	\$1,950	1996	\$11,625
1972	\$2,250	1997	\$12,150
1973	\$2,700	1998	\$12,675
1974	\$3,300	1999	\$13,425
1975	\$3,525	2000	\$14,175
1976	\$3,825	2001	\$14,925
1977	\$4,125	2002	\$15,750
1978	\$4,425	2003	\$16,125
1979	\$4,725	2004	\$16,275
1980	\$5,100	2005	\$16,725
1981	\$5,550	2006	\$17,475
1982	\$6,075	2007	\$18,150
1983	\$6,675	2008	\$18,975
1984	\$7,050	2009–2011	\$19,800
1985	\$7,425	2012	\$20,475
1986	\$7,875	2013	\$21,075
1987	\$8,175	2014	\$21,750
1988	\$8,400	2015–2016	\$22,050
1989	\$8,925	2017	\$23,625
1990	\$9,525	2018	\$23,850
1991	\$9,900	2019	\$24,675
1992	\$10,350	2020	\$25,575
1993	\$10,725	2021	\$26,550
1994	\$11,250	2022	\$27,300

Years of Substantial Earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Savvy Social Security Planning

GPO GOVERNMENT PENSION OFFSET



May apply to you if you receive a pension from a non-covered job—that is, a job in which you did not pay into Social Security—and you wish to apply for Social Security spousal or survivor benefits off your spouse’s work record. Under the GPO your spousal or survivor benefit will be reduced by two-thirds of your pension amount.

The GPO is intended to place spouses and widow(er)s whose government employment was not covered by Social Security in approximately the same position as spouses whose jobs were covered by Social Security. Under the dual entitlement rule, a person’s spousal benefit is offset dollar for dollar by their own Social Security retirement benefit. Before the GPO was enacted in 1977, workers who received pensions from a government job not covered by Social Security could also receive full Social Security spousal or widow(er)’s benefits even though they were not financially dependent on their spouses. When the GPO was first enacted the offset was dollar for dollar—that is, the spousal or survivor benefit was reduced by the full amount of the monthly pension. In 1983 the offset was changed to two-thirds of the pension amount.

Calculating the GPO is easy: just multiply your monthly noncovered pension amount by 2/3 (divide by 3 and multiply by 2) and subtract that amount from your spousal or survivor benefit. If you took your pension as a lump sum, SSA will calculate it as if it were being received as a monthly annuity and base the GPO on that amount.

Further reading

- ✓ SSA brochure: Government Pension Offset: ssa.gov/pubs/EN-05-10007.pdf
- ✓ Congressional Research Service report on Government Pension Offset: fas.org/sgp/crs/misc/RL32453.pdf

Jacques Lucchesi, CPFA

Financial Advisor

WestGate Wealth Strategies

62 Court Street
Newton, MA 02458

(857) 524-2637

jlucchesi@Westgate-Wealth.com

www.WestGate-Wealth.com



Securities and advisory services are offered through Cetera Advisor Networks LLC (doing insurance business in CA as CFGAN Insurance Agency LLC, CA Insurance License # 0644976) member FINRA/SIPC, a broker-dealer and registered investment adviser. Branch located at 62 Court St, Newton, MA 02458. Cetera is under separate ownership from any other named entity.

Copyright © 2023 Horsmouth, LLC. All rights reserved. Horsmouth is an independent organization providing unique, unbiased insight into the critical issues facing financial advisors and their clients. Horsmouth, LLC is not affiliated with the reprint licensee or any of its affiliates.

License #: 5456202 Reprint Licensee: Jacques Lucchesi