



## Deciding When to Take SS Benefits

### Welcome

- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

## Deciding When to Take SS Benefits

### Your ProFeds Presenter



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- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



#### Support Team

- » Standing by for your questions

## Deciding When to Take SS Benefits

# Deciding When to Take Social Security Benefits

**Distilling down the core components of the Social Security program to understand when, how, and why to start drawing benefits**

### Agenda

- » **FORMULA:** How the SSA calculates benefits at various ages (and how to influence yours to be higher)
- » **EARNINGS TEST:** Why your decision to take benefits may be affected if you are still working (and how other income is treated)
- » **SPECIAL GROUPS:** Who may have special rules to follow (and how their benefits may be lowered)
- » **CONSIDERATIONS:** What other factors must be considered when making the decision to start taking benefits (and what happens if you change your mind!)

## What this webinar will NOT cover

### The Intent

- » The SS program was designed to provide a retirement benefit and was intended to:
  - Be funded throughout your entire working lifetime (6.2% of wages)
  - Be payable at your “Full Retirement Age”

Full Retirement Age	
Born in	MRA
1937 & earlier	65
1938	65 & 2 months
1939	65 & 4 months
1940	65 & 6 months
1941	65 & 8 months
1942	65 & 10 months
1943-1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 & later	67

### The Decision

- » You may decide to start SS benefits any time between age 62 and 70
- » There is no benefit to waiting beyond age 70 to start
- » But what if you change your mind?
  - Within the first 12 months of starting benefits, you can change your mind (but you must pay back all that you have received)
  - After that, you may decide when to begin again

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### The Calculation

- » The benefit at your Full Retirement Age is called your Primary Insurance Amount (PIA)
  - The PIA calculation uses a process to determine the monthly average of your earnings:
    - All of your years of earnings (that were subject to SS tax when you earned them) are adjusted to “today’s dollars”
    - Your highest 35 years of earnings are used to determine your Average Indexed Monthly Earnings (AIME)
    - NOTE: If you have fewer than 35 years, those years count as “0s”

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### The Timing

- » The INTENT is to pay benefits at your FRA (65-67)
  - If you take it EARLIER, you will receive a lower amount
  - If you take it LATER, you will receive a higher amount

#### Example of delaying receipt of Social Security benefits (assumes FRA of 67)

<b>Age 62</b>	\$1,200/mo	<b>Age 65</b>	\$1,485/mo	<b>Age 68</b>	\$1,851/mo
<b>Age 63</b>	\$1,286/mo	<b>Age 66</b>	\$1,600/mo	<b>Age 69</b>	\$1,988/mo
<b>Age 64</b>	\$1,371/mo	<b>Age 67</b>	\$1,714/mo	<b>Age 70</b>	\$2,125/mo

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### The Taxes

- » FEDERAL: Generally, up to 85% of your SS benefits are taxable at the federal level
- » STATE: States decide whether to tax SS benefits at the state level

#### States who tax some portion of Social Security benefits

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

Source: State Tax Departments

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### The Earnings Test

- » Your SS benefit will be penalized if all of these are true:
  - You are drawing SS benefits, AND
  - You are under your FRA (65-67), AND
  - Your wages exceed the limit of \$21,240/year (for 2023)
    - NOTE: “Wages” do not include income from a pension, TSP, other investments, etc.

## The Earnings Test

- » How the Earnings Test is calculated
  - The SS benefit will be reduced by \$1 for every \$2 of earnings over the allowable limit of \$21,240/year (for 2023)
- » Example:
  - A person has \$1,200/month in SS benefit at age 62
  - Once they make more than \$50,040/year, they will lose all of their SS benefits the following year

## Frequently Asked Questions



**Q:** *How much does working longer really affect my SS benefit amount?*

**A:** It depends if you already have 35 years of earnings. If you do, chances are that working longer won't increase your benefit calculation by much. If you don't, each year you replace the "0s," the better your benefit will be.

**Q:** *If I choose to live overseas, do I still get my Social Security benefit?*

**A:** As long as you aren't living in Cuba or North Korea, you can still draw your SS benefits. You should update your physical address with SSA prior to leaving the country.

**Q:** *My spouse and I will both be eligible to draw SS benefits. Is there a strategy to maximize what we get?*

**A:** Yes – but it depends on a LOT of factors! What is the age difference between the two of you, the difference between each of your earned SS benefits, and your respective health conditions.

**Q:** *I'm married. Can my current spouse collect off of my benefits? Does it affect how much I get?*

**A:** Once you file for SS benefits, your spouse may be eligible for 50% of the amount YOU are entitled to at YOUR FRA. Typically, they must be at least age 62 (but will be penalized if they take this benefit prior to THEIR FRA). This does NOT affect the benefit you receive.

**Q:** *I'm widowed. Can I collect off of my deceased spouse benefits?*

**A:** Yes – but you either get your own benefit or your deceased spouse's benefit (not both). The SS “survivors” benefit you will receive will be largely based on YOUR age.

**Q:** *If I'm very ill, does it always make sense for me to take benefits as soon as I'm eligible at age 62?*

**A:** If it is only YOU that you are worried about, then this likely makes sense. However, if you have a spouse who will survive you, THEIR widow's benefit will be determined based on when YOU begin claiming your own benefits.

**Q:**

***I'm divorced. Can my former spouse collect off of my benefits? Does it affect how much I get?***

**A:**

If your marriage lasted 10 years or longer (and your ex-spouse is unmarried), they can draw benefits off of your work record. It does not affect the benefit that you receive.

**Q:**

***I'm a CSRS employee. Will I get all of the SS benefit listed on my statement?***

**A:**

It depends how many years of “Substantial SS Earnings” you have. If you have at least 30, you’ll get the benefit on your statement. If not, you’ll be affected by the Windfall Elimination Provision which can take away up to \$558/mo (or “half,” whichever is less).

**Q:**

***Am I better off taking my SS at age 62 and preserving my investments? Is it better to do the reverse?***

**A:**

It’s hard to say without knowing how your investments are performing. However, consider that your investments can be left to another person, but your SS benefit cannot.

**Q:**

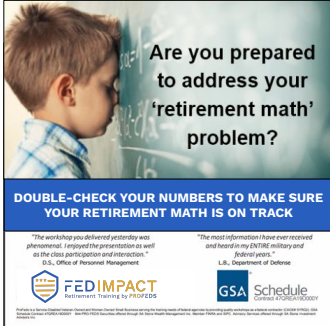
***I'm torn between taking SS at age 62 vs. waiting until age 70. Is there a “break-even” point?***

**A:**

The longer someone lives, the more it makes sense to have waited to start SS benefits. If you delay receiving benefits until age 70, it takes ~10 years to break even with benefits you started receiving at age 62.

## Deciding When to Take SS Benefits

### How does this fit into the bigger picture?



- » Attend a workshop:
  - In-person training
  - No cost to attend
  - Covers all of the federal benefit topics and decisions to be made
  - One-on-one help available
- » See all the details at: [FedImpact.com/Attend](https://FedImpact.com/Attend)

## Deciding When to Take SS Benefits

### Handouts and Replay



- » Handouts
  - Download
  - Emailed
- » Replay
  - Link will be emailed to all registered participants

## Deciding When to Take SS Benefits

### Next Webinar



- » Next webinar topic!
  - **What to Expect When You're Expecting (Your First Retirement Check)**  
Managing the financial transition from "employee" to "retiree" when you finally take the leap
- » Sign-up at: [FedImpact.com/Webinar](https://FedImpact.com/Webinar)

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