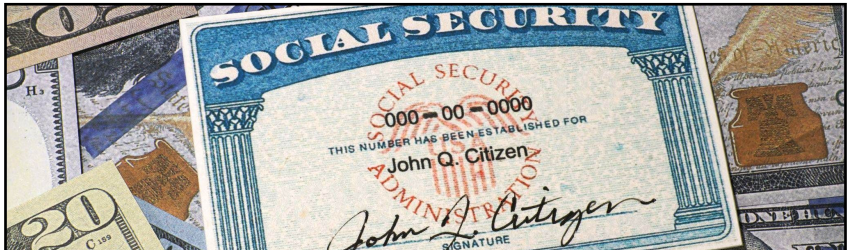

Social Security for Federal Employees

FEDIMPACT
Retirement Training by PROFEDS

Social Security for Federal Employees

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!

Social Security for Federal Employees

Your ProFeds Presenter

FEDIMPACT
Retirement Training by PROFEDS

Chris Kowalik

- ProFeds Founder
- Developer of the FedImpact Retirement Workshop
- Host of the FedImpact Podcast

Support Team

- Standing by for your questions

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Key factors to consider before starting benefits at 62, 67, or 70

Agenda

- **YOUR BENEFIT:** How your benefit is calculated—and the factors that permanently increase or reduce your monthly payment
- **EARNINGS TEST:** Why your decision to take benefits may be affected if you are still working (and how other income affects your payments)
- **SPECIAL SITUATIONS:** What married couples, surviving spouses, divorced spouses, and certain federal employees need to know before claiming
- **DECISIONS:** The personal, financial, tax, and longevity factors to weigh—and what happens if you change your mind after filing

What this webinar will NOT cover

The basics

Where SS Fits into Your Federal Retirement

The decisions regarding when to retire from federal service, when to take money from the TSP, and when to start receiving benefits from Social Security are all independent from one another.

The "Old-Age and Survivors Insurance" Trust Fund

» The concern about the Social Security
  - *"Should I take it now before it goes broke?"*
  - *"Will waiting mean I get hit by the future reduction?"*
  - *"Will Social Security still exist?"*
  - *"Should younger employees count on it?"*

» The timeline if nothing changes
  - <u>Now to end of 2032</u>: 100% of scheduled benefits paid
  - <u>Beyond 2032</u>: 78% of scheduled benefits paid (reserves)

» Congress has multiple possible policy levers, but the eventual change is unknown

The Intent

» The SS program was designed to provide a retirement benefit to those who have paid into SS for at least 10 years

» It is 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	FRA
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

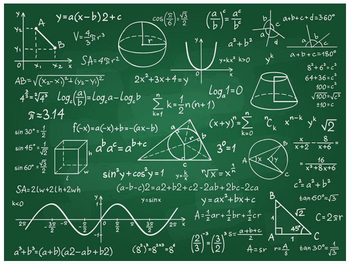
The Decision

» You may decide to start receiving SS benefits any time between age 62 and 70
  - 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 (8% higher each year—called "delayed retirement credits")

» There is no benefit to waiting beyond age 70 to start

The single piece of information that makes deciding when to start Social Security simple:

"When will you die?"

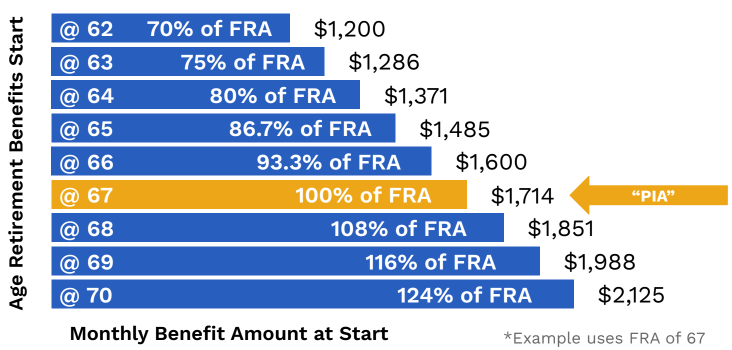


The math

The Calculation

- » The benefit at your Full Retirement Age (65-67) 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"

Example of Delaying Receipt of SS Benefits*



*Example uses FRA of 67

The Earnings Test

- » "Earnings Test" is a fancy phrase for "penalty"
- » It applies if <u>all</u> of these are true:
  - Person is drawing SS benefits, <u>AND</u>
  - They are under their FRA (65-67), <u>AND</u>
  - Their wages exceed the limit of $24,480/yr (for 2026)
- » This limit is subject to change each year

Wages are only earned in a current job you have – they 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 $24,480/year (for 2026)
- Example:
  - A person has $1,200/month in SS benefit at age 62
  - Once they make more than $53,280/year, they will lose all of their SS benefits the following year (but will be refactored in when you reach your Full Retirement Age)

*In the year you reach FRA, SSA deducts $1 for every $3 you earn above $65,160 (for 2026). Only earnings up to the month before you reach your FRA count (not the whole year).

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	Rhode Island
Minnesota	Utah
Montana	Vermont

Despite recently passed legislation that reduced/eliminated tax on Social Security benefits for some people, federal retirees will likely be required to pay tax on their benefit due to their income level.

Cost of Living Adjustments

- COLAs are applied to Social Security benefits each year
  - Each year, the Bureau of Labor Statistics determines how Social Security benefits will change for current retirees by calculating the Consumer Price Index (CPI-W)
  - As of 2026, the 10-yr average SS COLA is 3.11%

Cost of Living Adjustments for Social Security benefits are based on the same number (CPI-W) that determines the increase to the CSRS/FERS pension each year.

Break-Even Analysis

- The Social Security break-even age is the specific point in time when the total cumulative benefits from waiting to claim a larger monthly check catch up to the total amount you would have collected by starting your benefits early
- A “break-even analysis” tells you when two cumulative payment streams cross—it does not, by itself, tell you which claiming strategy best protects your household!

Break-Even Points

» What makes it "worth the wait?"
- If you start SS at age 62:
  - You get a head start receiving payments, but a lower amount
- If you start SS at age 67:
  - Once you reach age ~78, you will have exceeded the amount you would have received if you had drawn at age 62
- If you start SS at age 70:
  - Once you reach age ~83, you will have exceeded the amount you would have received if you had drawn at age 62

The who

Who Can Draw off of YOUR Social Security Record

	Benefit for	Benefit Amount & Timing
LIVING WORKER	**Worker**	Based on worker's claiming age and worker's PIA: 62: 70% of PIA 67: 100% of PIA 70: 124% of PIA
	Current Spouse (married for 1+ year)	Based on spouse's claiming age and worker's PIA: 62: 32.5% of PIA 67: 50% of PIA 70: 50% of PIA *Worker must file before spouse can claim this. Spouse receives their own SS benefit, plus off "top off" from spousal benefit.*
	Former spouse (married for 10+ years)	Based on former spouse's claiming age and worker's PIA: 62: 32.5% of PIA 67: 50% of PIA 70: 50% of PIA *These payments do NOT reduce benefits for a current spouse.*

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	Benefit for	Benefit Amount & Timing
DECEASED WORKER	**Surviving current Spouse** (married for 9 months & not remarry before age 60)	Based on spouse's claiming age and worker's current SS amount (or at time of death): 60: 71.5% of benefit 67: 100% of benefit 70: 100% of benefit
	Surviving former Spouse (married for 10 years & not remarry before age 60)	Based on former spouse's claiming age and worker's current SS amount (or at time of death): 60: 71.5% of benefit 67: 100% of benefit 70: 100% of benefit *These payments do NOT reduce benefits for a current spouse.*

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The Gap

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Addressing an "Income Shortfall"

» Social Security
» Thrift Savings Plan
» Savings/Cash
» Retirement accounts (IRAs, 401(k)s, etc.)
» Non-retirement accounts (brokerage accounts)
» CDs, Bonds, other accounts

Social Security can only be left to certain people when you die (typically just your spouse; rarely your children).

Accounts like TSP and other investment accounts can be left to designated beneficiaries.

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Starting Social Security at Various Ages

AGE 62

There's not enough $$$ to pay the bills

Your health or longevity is poor

There is no surviving spouse to protect

Preserving other assets is an intentional priority

AGE 67

You were still working and wanted to avoid the earnings test prior to FRA

You need income, but could wait until 67 to avoid the full penalty if you start SS benefits earlier

AGE 70

You have other sources of income to use during delay (62-70)

Your health and longevity are strong

You are the higher earner

Survivor protection matters

The Logistics

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Preparing for Social Security Benefits to Start

- You can generally apply up to four months before the month you want benefits to begin
- Social Security pays one month behind (so a benefit beginning in May is normally paid in June)
- Monthly direct deposit dates are based on day of birth:
  - 1st–10th: Paid on the second Wednesday of the month
  - 11th–20th: Paid on the third Wednesday of the month
  - 21st–31st: Paid on the fourth Wednesday of the month

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Filing for Social Security Benefits to Start

- **Online:** Go to SSA.gov, sign into or create a personal my Social Security account, and complete the application
- **By Phone:** Call the SSA at 1-800-772-1213 (TTY 1-800-325-0778) Monday-Friday to schedule an appointment with a representative
- **In Person:** Visit your local Social Security office by calling ahead to book an appointment

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Changing Your Mind

- You have a limited window to turn off SS benefits:
  - Within 12 months of starting your SS benefits:
    - You can withdraw your application (but you must repay all benefits received)
    - Your benefit amount will be recalculated as if you never started receiving them, and can reapply later for benefits
  - Once you reach your Full Retirement Age:
    - You can temporarily suspend your benefits to allow them to increase by 8% each year and turn them back on by age 70
    - Family members drawing from your record are also suspended

The Connection Between Social Security & Medicare

- Social Security and Medicare are connected administratively—but they are different decisions
  - Medicare eligibility does not require starting Social Security
  - If receiving Social Security, Medicare premiums may be deducted from the payment
  - If not receiving Social Security, Medicare bills premiums separately

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The Decision

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Many Questions Drive Your Social Security Decision

- Will you continue working before full retirement age?
- Do you need Social Security to meet current expenses?
- Are you the higher earner in a marriage?
- How would your decision affect a surviving spouse?
- What is your health and reasonable longevity expectation?
- What other assets can fund the years you delay?
- What tax-planning opportunities or consequences would claiming create?

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This Deserves Careful Thought

- Your decision on when to start taking Social Security benefits is an important one
- Many factors go into choose the “right” time to start these benefits
- Consult professional financial guidance to ensure that Social Security decision you make is the best one for you based on your circumstances

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- » 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

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Handouts and Replay

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

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Next Webinar

- » Next webinar topic!
  - **Federal Pay Raises & COLAs for 2027:** The real effect on your money moving forward
- » Sign-up at: FedImpact.com/Webinar

Thank you for joining us

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