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# **Social Security and Retirement Planning**

**Financial Experts Network Webinar**

**September 16, 2021**

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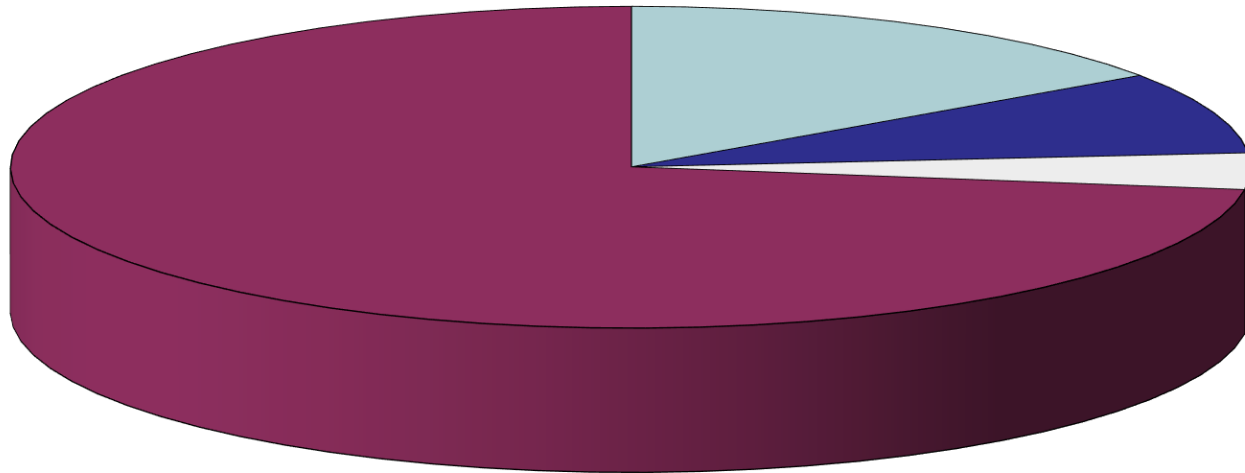
**Czarnowski Consulting: Expert Answers to Your Social Security Questions**

**[www.CzarnowskiConsulting.com](http://www.CzarnowskiConsulting.com)**

# Who Gets Benefits from Social Security?

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**65 million people**



- 8.0 million Disabled Workers and 1.4 million Dependents
- 3.9 million Widows/Widowers
- 2.7 million Children
- 46.9 million Retired Workers and 2.3 million Dependents

# A Foundation for Planning Your Future

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# The Social Security Statement

Prevent identity theft—protect your Social Security number  
**Your Social Security Statement** www.socialsecurity.gov  
Prepared especially for Wanda Worker

January 4, 2010  
See inside for your personal information →

WANDA WORKER  
456 ANYWHERE AVENUE  
MAINTOWN, USA 11111-1111

**What's inside...**  
Your Estimated Benefits ..... 2  
Your Earnings Record ..... 3  
Some Facts About Social Security ..... 4  
If You Need More Information ..... 4  
To Request This Statement in Spanish ..... 4  
(Para Solicitar Una Declaración en Español)

**What Social Security Means To You**


This *Social Security Statement* can help you plan for your financial future. It provides estimates of your Social Security benefits under current law and updates your latest reported earnings. Please read this *Statement* carefully. If you see a mistake, please let us know. That's important because your benefits will be based on our record of your lifetime earnings. We recommend you keep a copy of your *Statement* with your financial records.

**Social Security is for people of all ages...**  
We're more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.

**Work to build a secure future...**  
Social Security is the largest source of income for most elderly Americans today, but Social Security was never intended to be your only source of income when you retire. You also will need other savings, investments, pensions or retirement accounts to make sure you have enough money to live comfortably when you retire. Saving and investing wisely are important not only for you and your family, but for the entire country. If you want to learn more about how and why to save, you should visit [www.money.gov](http://www.money.gov), a federal government website dedicated to teaching all Americans the basics of financial management.

**About Social Security's future...**  
Social Security is a compact between generations. Since 1935, America has kept the promise of security for its workers and their families. Now, however, the Social Security system is facing serious financial problems, and action is needed soon to make sure the system will be sound when today's younger workers are ready for retirement. In 2016 we will begin paying more in benefits than we collect in taxes. Without changes, by 2037 the Social Security Trust Fund will be exhausted\* and there will be enough money to pay only about 76 cents for each dollar of scheduled benefits. We need to resolve these issues soon to make sure Social Security continues to provide a foundation of protection for future generations.

**Social Security on the Net...**  
Visit [www.socialsecurity.gov](http://www.socialsecurity.gov) on the Internet to learn more about Social Security. You can read publications, including *When To Start Reserving Retirement Benefits*, use our Retirement Estimator to obtain immediate and personalized estimates of future benefits, and when you're ready to apply for benefits, use our improved online application—It's so easy!

  
Michael J. Astrue  
Commissioner

\* These estimates are based on the intermediate assumptions from the Social Security Trustees' Annual Report to the Congress.

- The *Statement* provides you with benefit estimates and allows you to check your earnings history for accuracy.
- While mailings have resumed on a limited basis, you can also request a *Statement* anytime at:  
[www.SocialSecurity.gov/myaccount/](http://www.SocialSecurity.gov/myaccount/)

# How Do You Qualify for Retirement Benefits?

- You need to work to earn Social Security “credits”
- In 2021, you get one credit for each \$1,470 in earnings
- You can earn a maximum of 4 credits per year



**Example:** To earn 4 credits in 2021, you must earn at least \$5,880. Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.

# Full Retirement Age

<b>Year of Birth</b>	<b>Full Retirement Age</b>
<b>1937 or earlier</b>	<b>65</b>
<b>1938</b>	<b>65 &amp; 2 months</b>
<b>1939</b>	<b>65 &amp; 4 months</b>
<b>1940</b>	<b>65 &amp; 6 months</b>
<b>1941</b>	<b>65 &amp; 8 months</b>
<b>1942</b>	<b>65 &amp; 10 months</b>
<b>1943 – 1954</b>	<b>66</b>
<b>1955</b>	<b>66 &amp; 2 months</b>
<b>1956</b>	<b>66 &amp; 4 months</b>
<b>1957</b>	<b>66 &amp; 6 months</b>
<b>1958</b>	<b>66 &amp; 8 months</b>
<b>1959</b>	<b>66 &amp; 10 months</b>
<b>1960 or later</b>	<b>67</b>

# **Your Age at the Time You Elect Retirement Benefits Affects the Amount**

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## **If You're a Worker and Retire**

- **At age 62, you get a lower monthly payment**
- **At your full retirement age, you get your full benefit**
- **You get an even higher monthly payment if you work past your full retirement age**

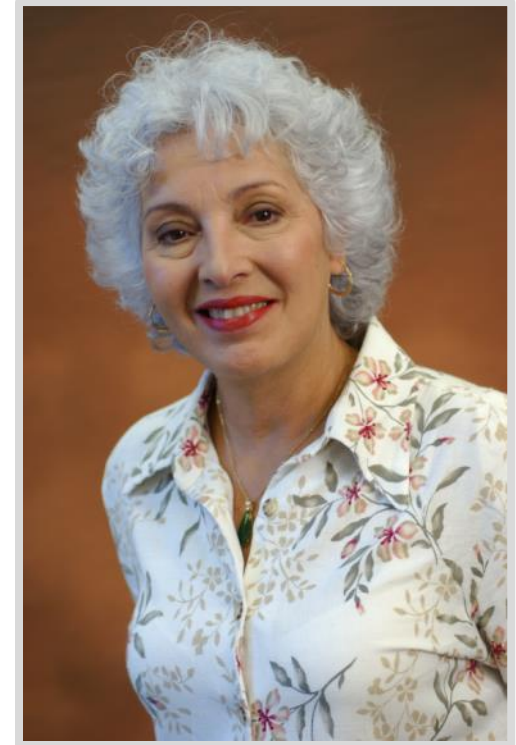


# **Your Age at the Time You Elect Retirement Benefits Affects the Amount**

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**For example, if you were born from 1943 through 1954:**

- Age 62 75% of benefit**
- Age 66 100% of benefit**
- Age 70 132% of benefit**





# **Your Age At The Time You Elect Retirement Benefits Affects the Amount**

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**But, if you were born from 1960 on:**

- Age 62      70% of benefit**
- Age 67      100% of benefit**
- Age 70      124% of benefit**



# How Social Security Determines Your Benefit

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## Social Security benefits are based on earnings

- Step 1 -Your wages are adjusted for changes in wage levels over time
- Step 2 -Find the monthly average of your 35 highest earnings years
- Step 3 -Result is “average indexed monthly earnings”

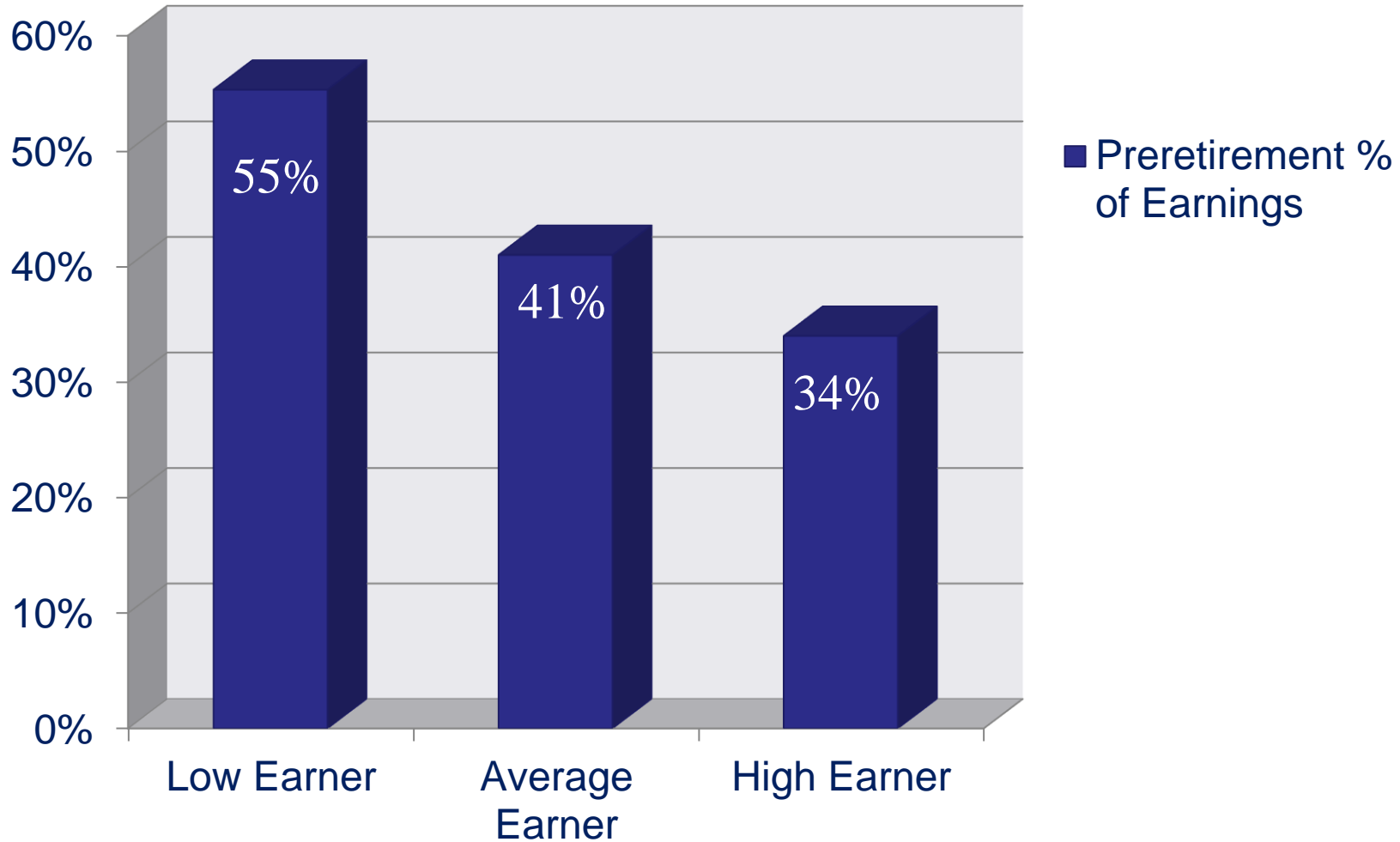


# 2021 Retirement Benefit Computation Example

If your average monthly earnings are = \$6,500  
Then your monthly benefit would be = \$2,573

<b>Average Monthly Earnings</b>	<b>\$6,500</b>		
<b>90% of First</b>	<b>\$996</b>	<b>=</b>	<b>\$896</b>
<b>32% of Earnings over \$996 through \$6,002</b> <b>(\$6,002 - \$996 = \$5,006)</b>	<b>\$5,006</b>	<b>=</b>	<b>\$1,602</b>
<b>15% of Earnings over \$6,002</b>	<b>\$498</b>	<b>=</b>	<b>\$75</b>
	<hr/>		<hr/>
	<b>\$6,500</b>		<b>\$2,573</b>

# What You Can Expect at Full Retirement Age



# You Can Work & Still Receive Benefits

<u>If You Are</u>	<u>In 2021 You Can Make Up To</u>	<u>If You Make More, Some Benefits Will Be Withheld</u>
<b>Under Full Retirement Age</b>	<b>\$18,960/yr. (\$1,580/mo.)</b>	<b>\$1 for every \$2</b>
<b>The Year Full Retirement Age is Reached</b>	<b>\$50,520/yr. (\$4,210/mo.)</b>	<b>\$1 for every \$3</b>
<b>Month of Full Retirement Age and Above</b>	<b>No Limit</b>	<b>No Limit</b>



**Note: If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.**

# Spouse's Benefit Computation

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- **Benefit is 50% of worker's unreduced benefit**
- **Reduction for early retirement**
- **If spouse's own benefit is less than 50% of the worker's, the benefits are combined**
- **Does not reduce payment to worker**

# **In Addition to the Retiree, Who Else Can Get Benefits?**

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## **Your Ex-Spouse**

- **Marriage lasted at least 10 years**
- **Ex-spouse 62 or older**
- **Divorced at least two years and you and your ex-spouse are at least 62, he or she can get benefits even if you are not retired**
- **Ex-spouse's benefit amount has no effect on the amount you or your current spouse can get**

# Widow or Widower Benefit Computation

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- **At full retirement age, 100% of deceased worker's unreduced benefit**
- **At age 60, 71.5% of deceased worker's unreduced benefit**
- **Reduced benefits on one record at age 60, reduced or unreduced benefit on other record at age 62 or older**
- **Full benefits to both widow or widower and divorced widow or widower**



# How Do I Apply for Retirement Benefits?

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- **Apply online at [www.socialsecurity.gov](http://www.socialsecurity.gov)  
It is the most convenient way to apply;**
- **Call Social Security to schedule an appointment  
1-800-772-1213 (TTY 1-800-325-0778); or**
- **Post COVID, will eventually be able to again  
apply at a local Social Security office.**

# Knowledge Check

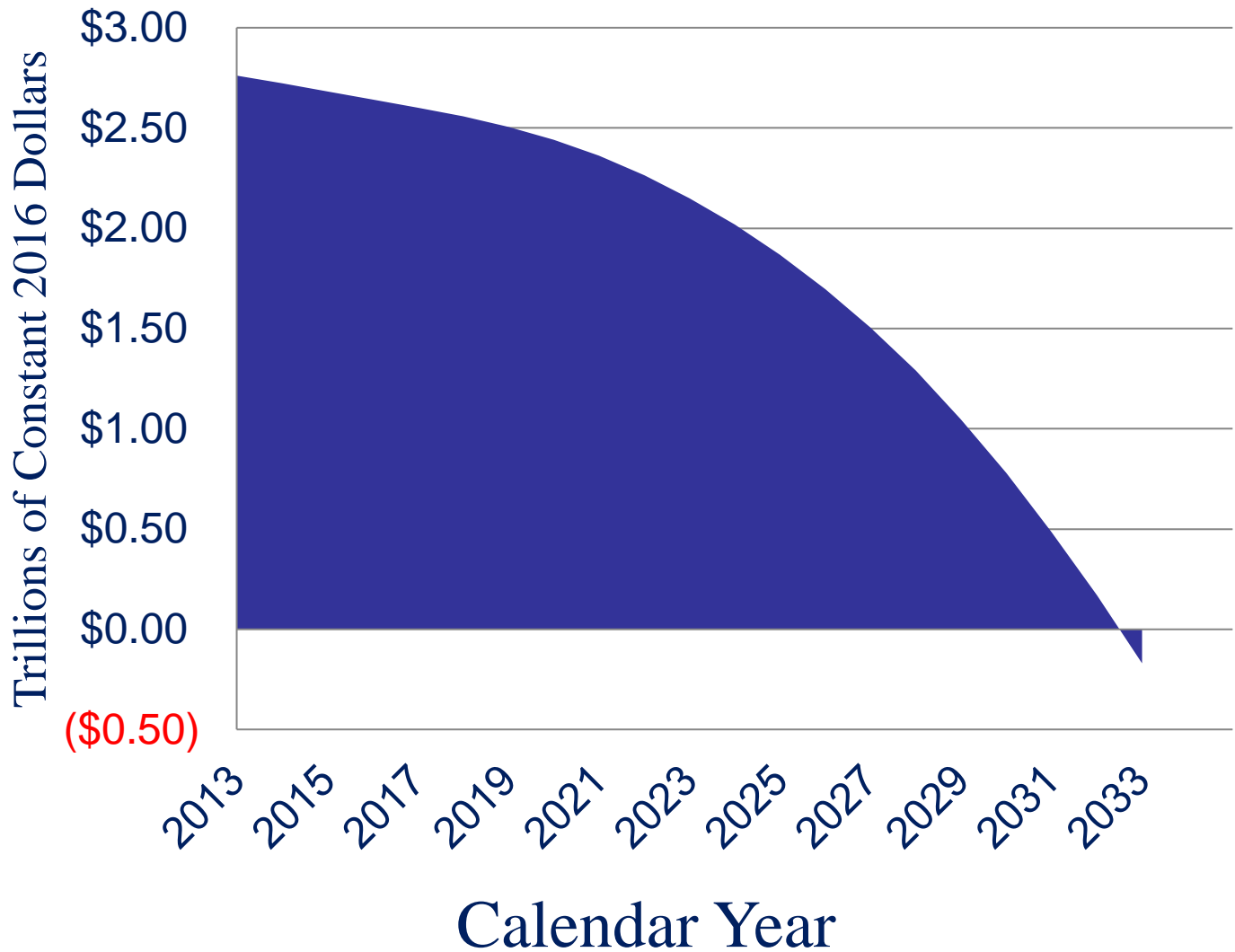
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Question: Can you still receive a paper Social Security statement?

Yes, if you request.

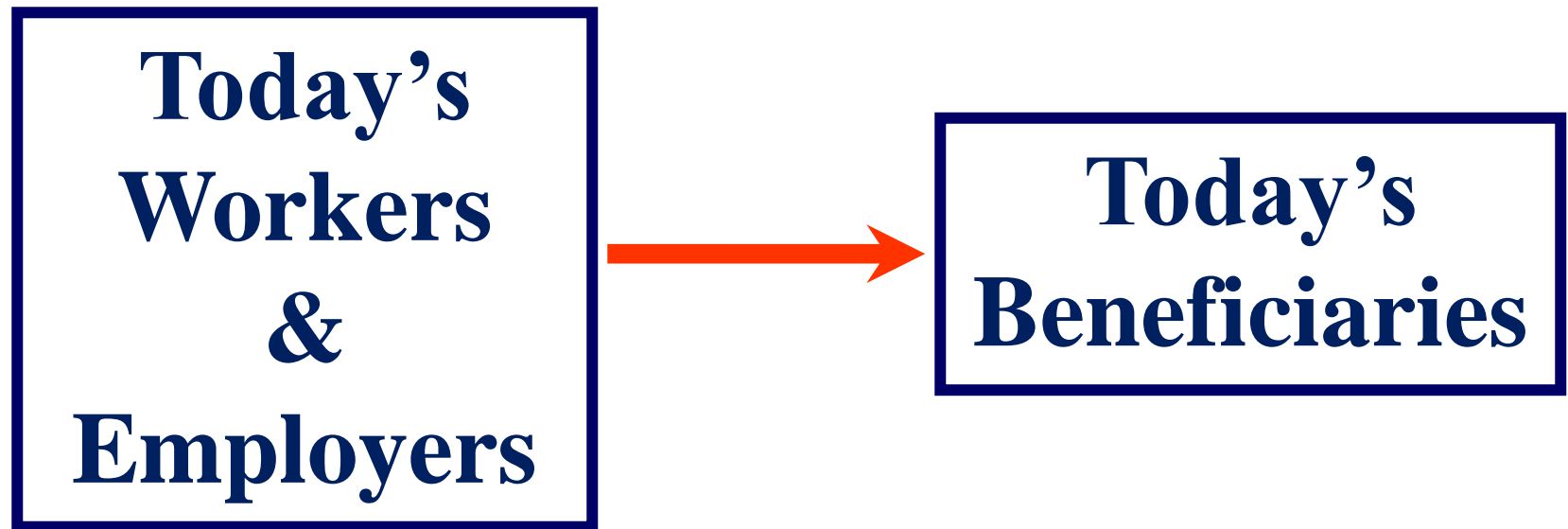
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# Social Security Trust Funds Will Be Able to Pay Only About 78 Cents for Each Dollar of Scheduled Benefits after 2034



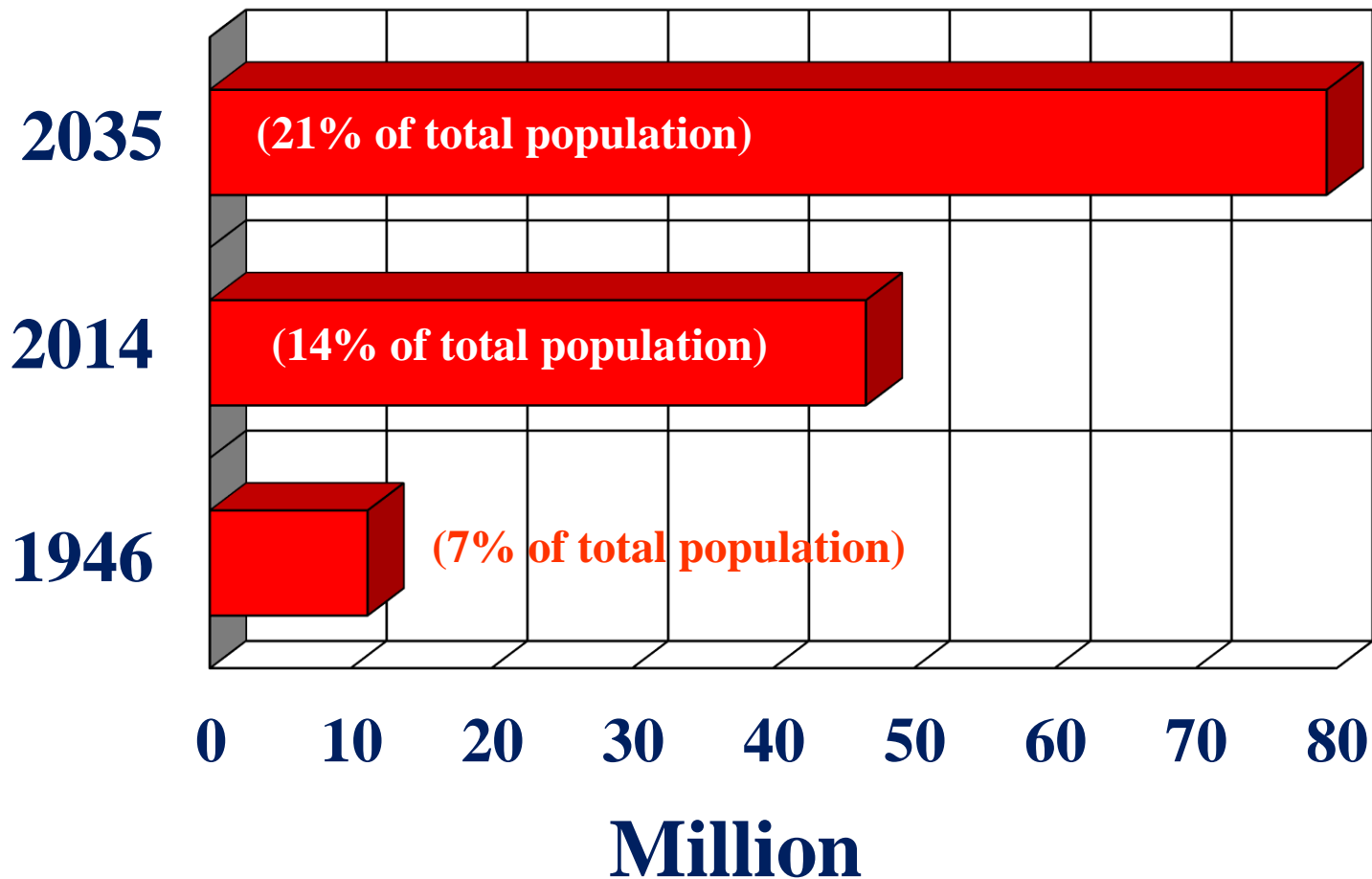
# Who Pays for Social Security?

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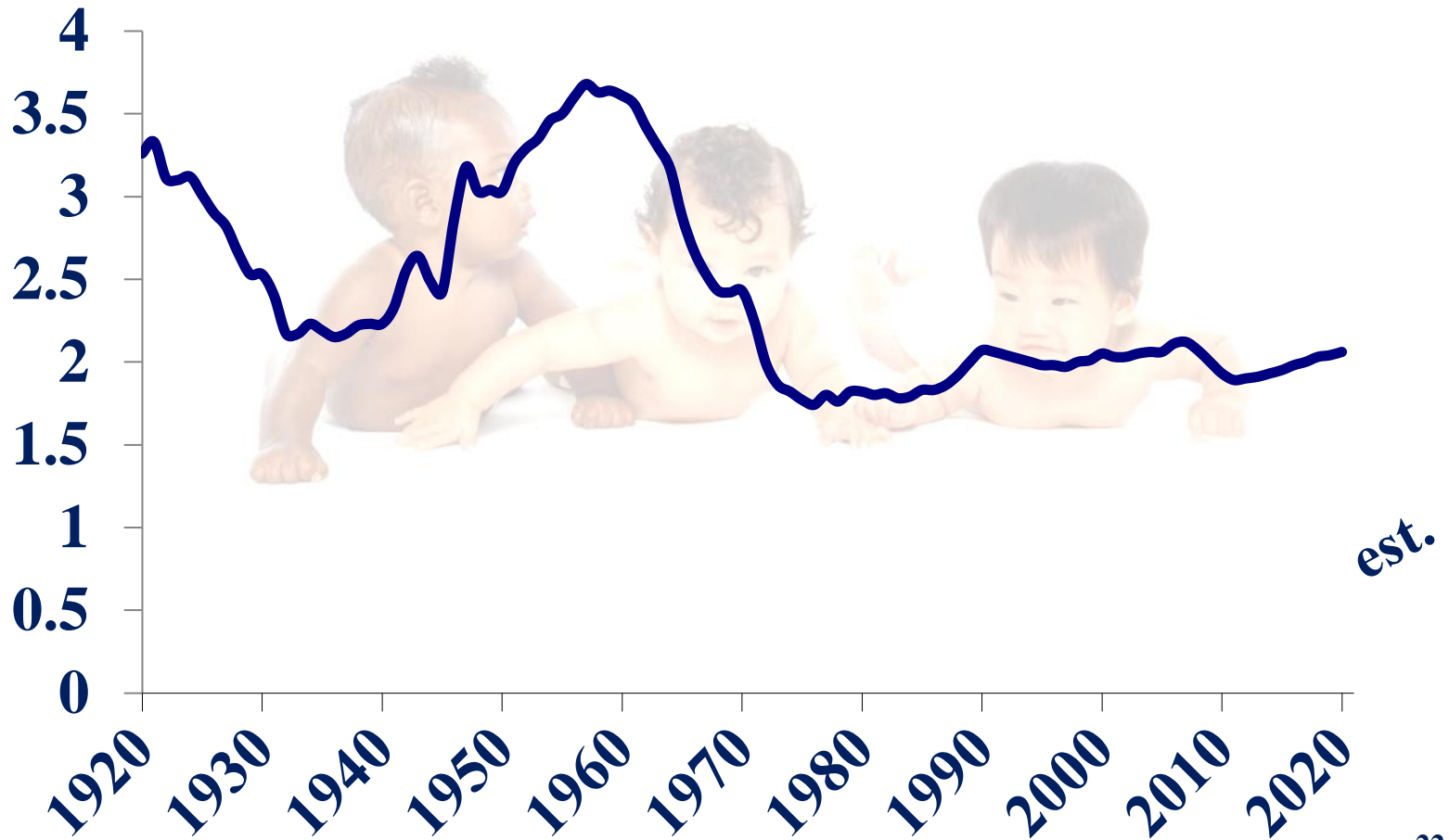
# America is Getting Older

■ U.S. Population Age 65 & Older



# U.S. Birth Rate 1920-2020

## Children Per Woman



# **The Number of Workers per Beneficiary is Decreasing**

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**5 – 1960**

**2.8 – 2021**

**2 – 2035**

# Knowledge Check

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Question: Without Congressional action, Social Security benefits will be paid at what percentage in 2034?

- A. 62%
- B. 78%
- C. 87%



# Knowledge Check

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Question: Which factors should one consider before taking their Social Security benefit early?

- A. Health
- B. How benefit may be taxed
- C. Impact on Survivor benefit
- D. Impact on Medicare Premium
- E. All of the above

# Windfall Elimination Provision

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**If any part of your pension is based on work not covered by Social Security, you may be affected by the Windfall Elimination Provision.**



# Windfall Elimination Provision (WEP) - 2021

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## Normal Computation

**90% of the First \$996**

**32% of the Next \$5,006**

**15% of the Remainder**

## WEP Computation

**40% of the First \$996**

**32% of the Next \$5,006**

**15% of the Remainder**

# Exception to the Windfall Elimination Provision

<b>Years of Social Security Coverage</b>	<b>% of First Factor in Benefit Formula</b>
<b>30 or more</b>	<b>90</b>
<b>29</b>	<b>85</b>
<b>28</b>	<b>80</b>
<b>27</b>	<b>75</b>
<b>26</b>	<b>70</b>
<b>25</b>	<b>65</b>
<b>24</b>	<b>60</b>
<b>23</b>	<b>55</b>
<b>22</b>	<b>50</b>
<b>21</b>	<b>45</b>
<b>20 or fewer</b>	<b>40</b>

**Our Online WEP calculator allows you to estimate your Social Security benefit.**

# Government Pension Offset (GPO)

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**If you receive a government pension based on work not covered by Social Security, your Social Security spouse's or widow(er)'s benefits may be reduced.**



# Government Pension Offset (GPO)

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## Applies to Spouse's Benefits Only

- **2/3 of amount of government pension will be used to reduce the Social Security spouse's benefits**

### Example:

- **\$1,200 of government pension  $2/3 = \$800$   
Social Security spouse's benefits = \$750  
No benefit payable by Social Security**
- **Online GPO calculator allows you to estimate your Social Security benefit.**  
*[www.socialsecurity.gov/calc-gpo](http://www.socialsecurity.gov/calc-gpo)*