



# Top Social Security Questions of 2013

Joanna Amberger, CFP  
AARP Hawaii Volunteer



## AARP Is:

A nonprofit, nonpartisan membership organization for people 50+ with 148,000 members in Hawaii. We fight on issues that matter to you and your family – including the high cost of long-term care, access to affordable, quality health care for all generations, and designing “livable communities.” We provide information tools to save for retirement and serve as a reliable source of information on issues critical to older Americans.

Find us at:  
[www.aarp.org/hi](http://www.aarp.org/hi)



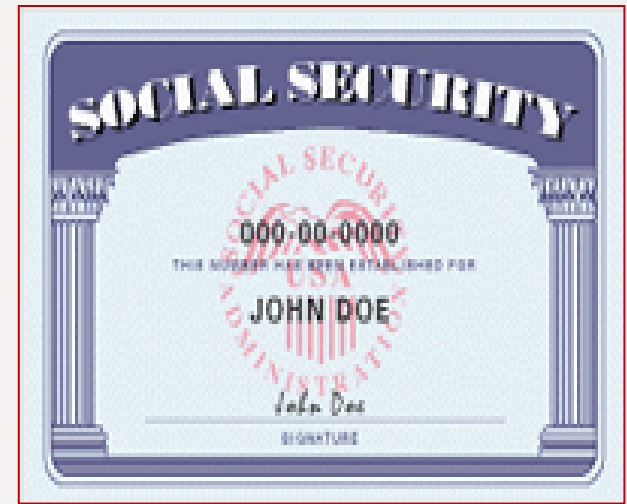


**Disclaimer:**

This presentation is intended to be informational and educational and DOES NOT constitute investment, tax or legal advice. We strongly recommend that you seek the advice of a tax, legal and financial services professional before making decisions related to any investment or other financial decisions. AARP is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided during this event.

# Agenda

- Social Security Retirement Basics
- AARP SS Benefits Calculator
- Common Questions
- The Future of SS (if time)



# Retirement Benefits





# Work History

- Work at least 10 years (40 quarters)
- Employees pay 6.2 % of their pay as FICA tax
- Employers pay 6.2%
- Income cap = \$113,700



# Full Retirement Age (FRA)

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

# Early Retirement

- Anytime between age 62 and full retirement age (FRA)
- The earlier you claim before FRA, the more your benefits will be reduced
- Maximum reduction is 30%





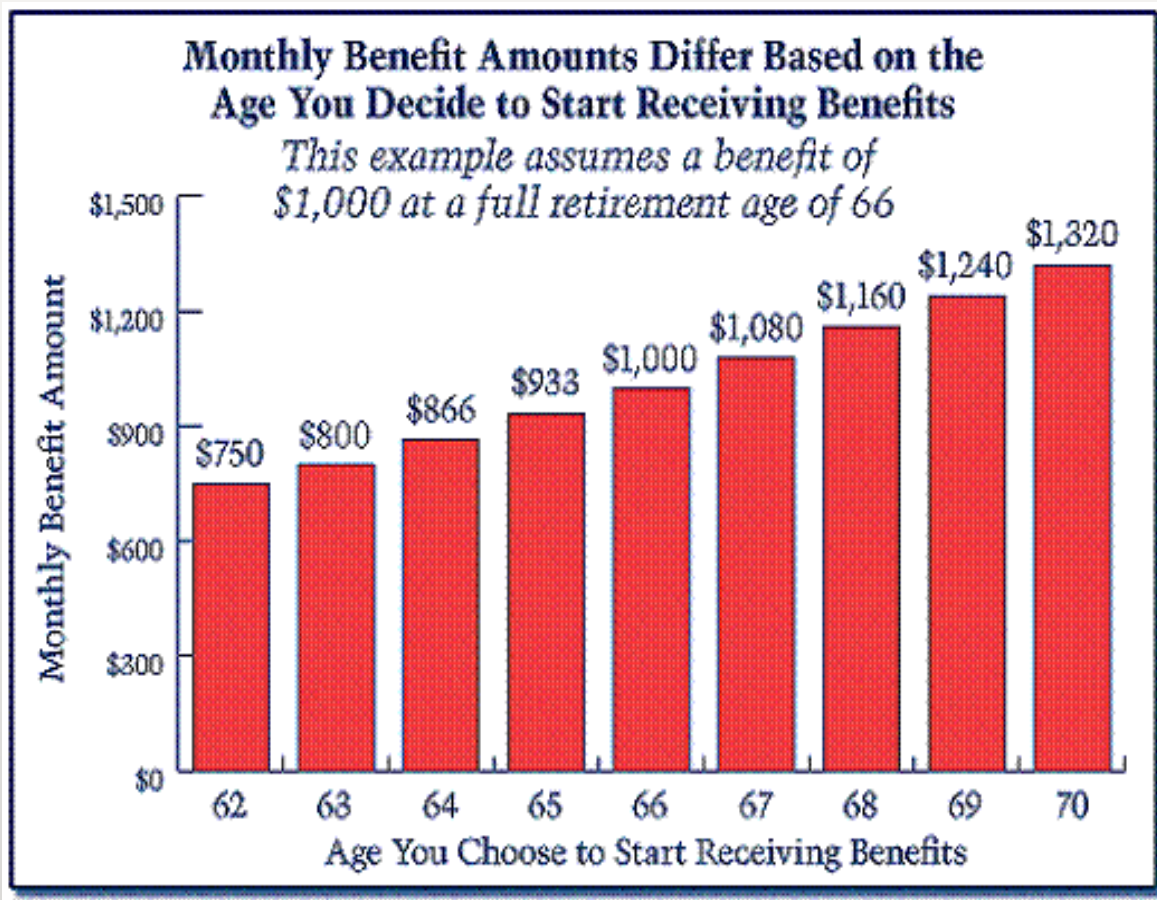
# Late Retirement

- You can make more by waiting as late as age 70 to claim Social Security benefits
- Benefits are increased by a certain percentage each month after FRA
- It can pay to wait!

Year of Birth	Yearly Rate of Increase	Monthly Rate of Increase
1933-1934	5.5%	11/24 of 1%
1935-1936	6.0%	1/2 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7.0%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

# When to Retire?

- There's no one "right age"
- Assess living expenses
- Make an informed decision
- Claiming early = reduced benefits



# Your Benefit Amount

- An average of the 35 highest earning years
- Maximum benefit: \$2,533
- Average benefit: \$1,261





# Estimate Your Benefit

- Social Security Statement
  - Sent annually, but only to those 60 and older who have not yet received benefit
  - Call (800) 772-1213, or
  - Use benefit estimator at [www.ssa.gov](http://www.ssa.gov)
- Visit [www.aarp.org/socialsecuritybenefits](http://www.aarp.org/socialsecuritybenefits)
  - Takes into consideration the timing of your retirement and shows an estimate of how much you would receive by claiming at various ages



# Social Security and Work



# Example

- Susan is a 62-year-old divorced woman
- She earns \$16,120 from a part-time job
- \$16,120 (her earnings)
  - \$15,120 (the 2013 earnings limit)
  - = \$1,000
- She is over the earnings limit by \$1,000
- Reduction = \$500 (\$1 for every \$2 over the limit, or half of \$1,000)







***“The hardest thing in the world to understand is the income tax.”***

~ Albert Einstein

***Tax Returns: “This is too difficult for a mathematician. It takes a philosopher.”***

**Social Security and Taxes**





# Taxes – Based On Income in Retirement

- Individual
  - Income of \$25,000 - \$34,000, you may have to pay income tax on up to 50% of your benefits
  - Income of over \$34,000, up to 85% of your benefits may be taxable
- Couple
  - Income of \$32,000 - \$44,000, you may have to pay income tax on up to 50% of your benefits.
  - Income Over \$44,000, up to 85% of your benefits may be taxable.



**Apply for Social Security  
Three Months Before You  
Want to Collect.**

- Online at [www.ssa.gov](http://www.ssa.gov)
- By phone at (800) 772-1213
- Visit the Social Security office

**How to apply?**

# Benefits for your family

- Spouse
- Children
- Ex-spouse
- Widow
- Aging Parents





# Unique benefits for Spouses

## Rules to keep in mind\*

- You must be age 62 or older to qualify.
- You cannot collect a spousal benefit until your spouse files for their own benefit.
- If you file for spousal benefits at Full Retirement Age, spousal benefit will be equal to 50% of your spouse's Primary Insurance Amount (PIA).
- These rules also apply for divorced-spouse benefits, as long as the marriage lasted at least 10 years and the non-filing spouse has not remarried.
- Benefits stop for a divorced spouse upon remarriage.

\*Rules applicable in most situations. Some exceptions exist.

Social Security Administration, "Retirement Benefits, 2010," and "Retirement Planner – "Benefits for Spouses, 2008," SSA.gov





# Unique benefits for Spouses

## “File and Suspend” strategy:

- Makes it possible for married taxpayers who retire at different ages to suspend and collect benefits optimally.
- Higher-earning spouse files at Full Retirement Age and immediately suspends his benefits. His wife is entitled to 50% of husband’s Primary Insurance Amount and he can wait to receive higher benefit at age 70.

\*Rules applicable in most situations. Some exceptions exist. .

Social Security Administration, “Retirement Benefits, 2010,” and “Retirement Planner – “Benefits for Spouses, 2008,” SSA.gov







# Unique benefits for Spouses

## **“Claim Now, Claim More Later” strategy:**

- Allows married couples to begin receiving benefits now and still receive larger delayed benefits later.
- Higher-earning spouse claims spousal benefit at Full Retirement Age (wife must have already filed for her own benefits) and then husband switches to his own benefit at age 70.



**Highlights of AARP's  
Social Security Benefit Calculator**  
[WWW.AARP.ORG/SOCIALSECURITYBENEFITS](http://WWW.AARP.ORG/SOCIALSECURITYBENEFITS)



# AARP Social Security Benefits Calculator

## AARP SOCIAL SECURITY BENEFITS CALCULATOR

This calculator can help estimate your Social Security benefits and show you when is the best time to claim Social Security.

Bookmark | Share | Email | Recommend (0) | Tweet 0 | Like

**Overview** | Personalize | When to claim

powered by **LifeTuner**<sup>®</sup>

### It pays to wait

After you claim Social Security, you will receive a monthly check for the rest of your life. But how big that check is depends on how much you've paid into the system and when you start taking it.

The longer you are able to wait, the higher your monthly benefits will be. This guide will show you why most people should wait as long as possible to claim Social Security — and why a few people should claim earlier.

Tell us some basic information about your situation, and we'll tailor this guide for you.

[Personalize this guide](#)



[www.aarp.org/socialsecuritybenefits](http://www.aarp.org/socialsecuritybenefits)



# AARP Social Security Benefits Calculator

powered by **LifeTuner**

Overview Personalize Your Benefits **When to claim**

**Does it matter if I'm married?** How much of my expenses are covered? What if I claim and keep working? What does it all mean?

### Does it matter if I'm married?

Absolutely. The rules for married couples make knowing when to claim a little less straightforward.

#### Your combined monthly benefits

Year	Your benefits	Your wife's benefits	Total
2021	0	~\$600	~\$600
2022	0	~\$650	~\$650
2023	0	~\$650	~\$650
2024	0	~\$650	~\$650
2025	~\$1,875	~\$1,507	~\$3,382
2026	~\$1,875	~\$1,507	~\$3,382
2027	~\$1,875	~\$1,507	~\$3,382

#### How to maximize your monthly benefit

The steps below outline how to receive maximum benefits.

- 1 When you are 66 (2021), apply for Social Security benefits and then request to have payments suspended.
- 2 When your wife is 66 (2021), she applies for **spousal benefit**, which provides about **\$710** per month.
- 3 When you are 70 (2025), resume your own Social Security benefits, which provide about **\$1,875** per month.
- 4 When your wife is 70 (2025), she applies for her own Social Security benefits, which provide about **\$1,507** per month.

*Widows and widowers can also claim survivor benefits, so the choices you make now can affect your spouse later. Ex-spouses are also entitled to survivor and spousal benefits if the marriage lasted at least 10 years.*

Waiting is particularly important for husbands.

[? Find out why](#)

How much of my expenses are covered?

# AARP Social Security Benefits Calculator

powered by **LifeTuner**


**Overview** | **Personalize** | **Your Benefits** | **When to claim**

[Does it matter if I'm married?](#) | [How much of my expenses are covered?](#) | [What if I claim and keep working?](#) | [What does it all mean?](#)

## How much of my monthly expenses are covered?


Social Security was never intended to be the sole source of retirement income, but for millions of Americans, it's their only source of family income in retirement. How far your Social Security benefits will go in covering your family's basic recurring monthly expenses depends on you.

### Monthly Expenses Covered by Social Security



**73%  
IF YOU  
CLAIM AT 70**

Benefits Claim Age = 70



Drag this slider to see how when you claim can affect how much of your monthly expenses could be covered by your Social Security benefit.

### Estimated Monthly Expenses

Take a moment to adjust estimates below, which are based on national averages, to reflect your monthly expenses.

Food	\$	<input type="text" value="500"/>
Housing and Utilities	\$	<input type="text" value="1,607"/>
Clothes	\$	<input type="text" value="37"/>
Transportation	\$	<input type="text" value="190"/>
Health Care	\$	<input type="text" value="150"/>
Insurance	\$	<input type="text" value="81"/>
Other	\$	<input type="text" value="0"/>
<b>Total</b>	\$	<input type="text" value="2,565"/>

**The longer you wait to claim Social Security, the more money you will have to spend enjoying your retirement!**  
Did you know Social Security is the only guaranteed source of monthly income for life? [How long will I need guaranteed income?](#)

[What if I claim and keep working?](#)

# AARP Social Security Benefits Calculator

Overview Personalize Your Benefits **When to claim** powered by **LifeTuner**

Does it matter if I'm married? How much of my expenses are covered? **What if I claim and keep working?** What does it all mean?

**What if I claim and keep working?**

If you need to claim benefits before full retirement age (66), you can continue to work. If you claim and work before age 66, your benefits may be reduced or withheld. However, your benefits will be returned to you after age 66.

REMEMBER  
Claiming before 66 will reduce your benefits.

Click below to expand our interactive chart and see what happens to your Social Security benefits while you work by changing when you claim and how much you earn.

**Social Security Benefits While You Work**

Age	Salary	Social Security	Withheld Benefits	Returned Benefits
61	\$35,000	\$0	\$0	\$0
62	\$35,000	\$2,000	\$11,000	\$0
63	\$35,000	\$2,000	\$11,000	\$0
64	\$35,000	\$2,000	\$11,000	\$0
65	\$35,000	\$2,000	\$11,000	\$0
66	\$35,000	\$13,000	\$0	\$0
67	\$0	\$13,000	\$0	\$2,000
68	\$0	\$13,000	\$0	\$2,000
69	\$0	\$13,000	\$0	\$2,000
70	\$0	\$13,000	\$0	\$2,000

Based on your choices, your lifetime payout of social security benefits could be **\$374,828**.

**Adjust your chart**  
Drag these sliders to see how your salary and benefits claim age impact your payout.

Benefits Claim Age: 62  
Salary: \$35,000

- From age 62 (when you could claim), until full retirement age (66), \$1 would be withheld for every \$2 you earn above \$14,640 in 2012. This would be **\$40,720** withheld from your benefits, returned after full retirement age.

What does it all mean?





# AARP Social Security Benefits Calculator

Overview
Personalize
Your Benefits
When to claim

powered by **LifeTuner**

[Does it matter if I'm married?](#)

[How much of my expenses are covered?](#)

[What if I claim and keep working?](#)

[What does it all mean?](#)

## What does it all mean?

Social Security may seem complicated, and sometimes it is. But there are a few general rules of thumb that can help.

### What Have You Decided?

Now that you know a little more: at **what age** do you plan to start claiming your Social Security benefits?

Click on the "Get Report" button to receive your comprehensive report.

Get Report

and print your personalized Social Security summary!

### A Few Things To Remember

The steps below outline how to receive maximum benefits.

- 1 You can claim Social Security anytime from 62 to 70.
- 2 For every year you wait, your benefits go up by **\$1,215** annually.
- 3 You will probably live longer — and need more — than you expect.


- 4 It may be better to spend your savings than claim earlier.
- 5 If you can work, do so for as long as you can.
- 6 You have to file for benefits 3 months before you expect to receive them.

### Resources

[AARP Retirement Calculator](#)  
[When to Claim Social Security](#)  
[Social Security for Married Couples](#)  
[Social Security and Work](#)  
[Social Security and Taxes](#)


[Social Security and Divorce](#)  
[AARP Job Search Engine](#)  
[Budgeting and Saving](#)  
[Money and Retirement Tools](#)

# AARP Social Security Benefits Calculator



[Back to Tool](#)

## Your Personalized Social Security Guide



After you claim Social Security, you will receive a monthly payment for the rest of your life. But how big that payment is depends on when you start taking it:  
**the longer you wait, the more you get.**

### It Pays to Wait


*waiting = more \$!*

Age 62	Age 66	Age 70
<b>1,065</b> in benefits monthly = <b>42%</b> expenses covered	<b>\$1,421</b> in benefits monthly = <b>55%</b> expenses covered	<b>\$1,875</b> in benefits monthly = <b>73%</b> expenses covered

Social Security may seem complicated, and sometimes it is. But there are a few general rules of thumb that can help.

- You can claim Social Security anytime from ages 62 to 70.
- If you can work, do so for as long as possible.
- You will probably live longer — and need more money — than you expect.
- It may be better to spend your savings than to claim early.
- For every year you wait, your benefits go up by \$1,215 annually.
- You have to file for benefits 3 months before you expect to receive them.

powered by **Lifetuner**



Your Personalized Social Security Guide  
[Back to Tool](#) | Page 2 of 7

## Your Choice vs. the Max

Social Security was never intended to be the sole source of retirement income, but for millions of Americans, it is.

How far your Social Security benefits will go in covering your family's basic recurring monthly expenses depends on you.

	Your Choice: Age 66	The Max: Age 70
Your Monthly Benefits	\$1,421	\$1,875
Basic Expenses Covered*	55%	73%

Get \$454 or 32% MORE per month

\* These are the monthly expenses that have been assumed for you. To customize your monthly expenses, [click here to return to the tool](#).

Food	\$500
Housing and Utilities	\$1,607
Clothes	\$37
Transportation	\$190
Health Care	\$150
Other	\$0
Insurance	\$81
<b>Total</b>	<b>\$2,565</b>

powered by **Lifetuner**



Questions???

**AARP**<sup>®</sup>



***Arlene :***

I am 77 and had to go back to work. Why does my employer take out Social Security and Medicare wages from my pay when I am already receiving Social Security benefits and I am on Medicare?



***Don :***

Is there any way to increase Social Security, after you start collecting? I am 66 and started to receive benefits at 62, but had some of my earnings cut back because I made too much.



## **Craig :**

I lost my job in 2007 at age 59, and have not been able to secure a job in my field since. I plan on delaying taking my Social Security when I reach 70 in 2018. How does the 11 years with little or no earned income affect my eventual Social Security Benefit?







***Susan:***

If I choose to collect Social Security retirement benefits at age 62, can I also make \$14,000 a year if I still work?



**Billy :**

My wife and I are considering a couple of strategies to maximize our Social Security benefits. Where can I visit an expert (in person, if possible) in our area, at no cost or for a fee, to confirm that we've chosen the best strategy? We have already visited Social Security office, but would like secondary professional advice.





## *Marilyn :*

I am 60 and my husband is 80. He took Social Security at FRA. I worked and have earned more than enough credits to be eligible for Social Security but my husband's benefits will still be higher than mine. Financially, I don't need to file early for Social Security but should I or should I consider filing for spousal benefits early? Why or Why not? Can you receive your own benefits and widow's benefits at the same time? What are my options?



## Roy:

I am 65 and not yet collecting Social Security. My wife will be 66 in July and started collecting Social Security last summer. I am the higher earner in our family and retired two years ago, but I work part time as a school bus driver. We have several income streams so I am delaying collecting my Social Security benefits for as long as I can. Can I file for spouse benefits based on my wife's earnings record and collect half what she collects without impacting what I will collect when I file based on my own earnings record? If I were to die before filing for my benefits, would my wife still be able to collect half of my Social Security benefit as a survivor?



***Ann:***

Can I take a spouse benefit on my husband's work record at age 62 if he is not collecting Social Security yet?





## *Phillip :*

If your spouse receives a smaller retirement benefit than you, does the spouse receive the higher of the two benefits when you pass away?



## *Mary:*

Is eligibility for Medicare based on Social Security points? I was a public school teacher, and then administrator, and therefore have not met the requirements for Social Security. But I may need Medicare in the future. Can needed points be purchased, and if so, how expensive is it?







## *Skip:*

My wife works for the State and does not pay into Social Security. She currently does not have enough quarters to collect upon her retirement. If I should pass before her and after she begins taking her pension benefits, will she be able to collect my Social Security and pension in full? If not, what will be reduced or eliminated?



## ***Kathy:***

I currently am on disability and next month will become a senior. I am anxious to know how this change from SSDI to Senior will affect me.

# Resources for the Disabled

- National Organization on Disability: [www.nod.org](http://www.nod.org)
- Disability Rights Education and Defense Fund: [www.dredf.org](http://www.dredf.org)
- American Disability Association: [www.adanet.org](http://www.adanet.org)
- Social Security Administration: [www.socialsecurity.gov/disability](http://www.socialsecurity.gov/disability)



# Retirement Planning Resources:

- Social Security Benefits Calculator: [www.aarp.org/socialsecuritybenefits](http://www.aarp.org/socialsecuritybenefits)
- AARP Retirement Calculator: [www.aarp.org/retirementcalculator](http://www.aarp.org/retirementcalculator)
- AARP 401k Fee Calculator: [www.aarp.org/401kfees](http://www.aarp.org/401kfees)

Social Security: [www.socialsecurity.gov](http://www.socialsecurity.gov)

CMS/Medicare: [www.medicare.gov](http://www.medicare.gov)

SagePLUS (Medicare Counseling): [www.hawaiiiship.org](http://www.hawaiiiship.org)



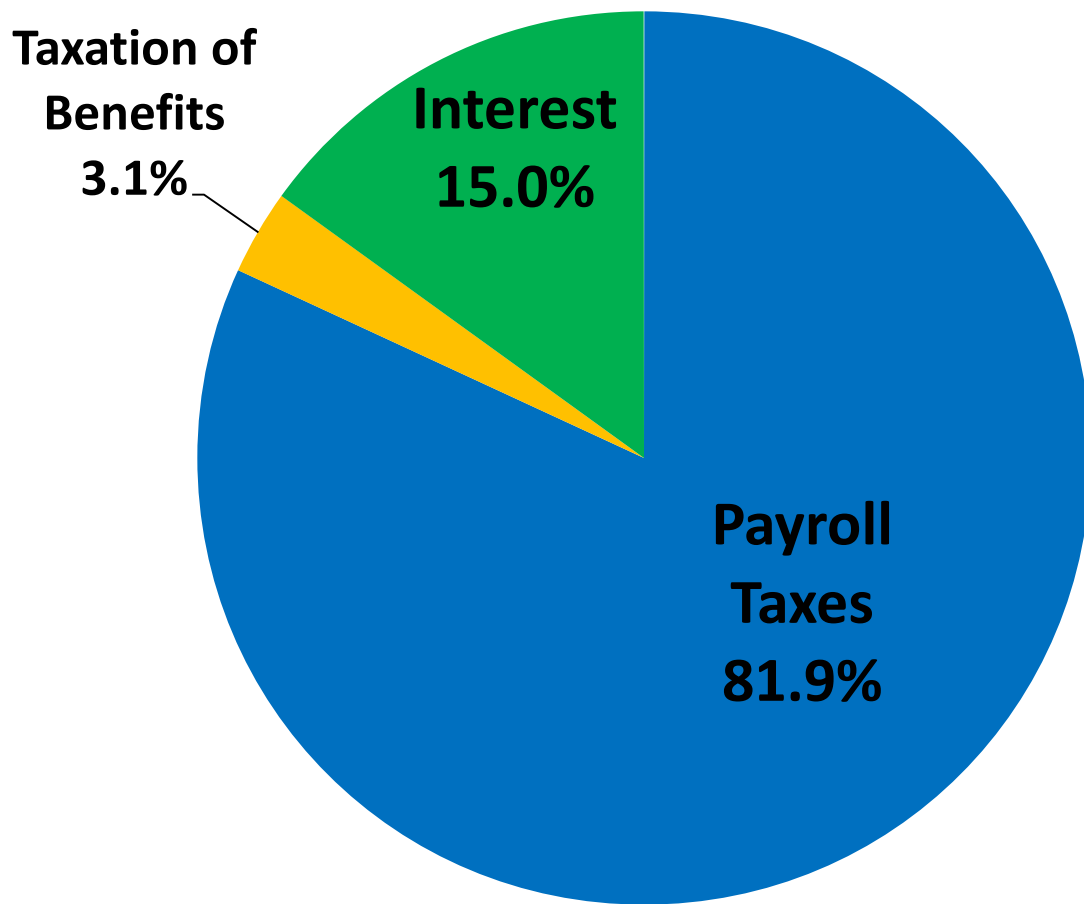


But What About  
The Future of  
Social Security?



# Social Security Is Self Financed

## Revenues





# Social Security – Challenges in the Coming Years

- **Longer life expectancy:** In 1940, a 65-year-old expected to live 12-13 more years; today that number is nearly 20 years.
- **Fewer workers per beneficiary:** The number of workers per beneficiary will decline from 2.8 today to 2.1 in 2036
- **Lower birthrate:** The birth rate fell from about 25 per 1,000 people at the height of the Baby Boom to under 14 today.





# Social Security – The Bottom Line

- **It's NOT bankrupt.**
- If nothing is done, it can pay full benefits until 2033 and about 75% of benefits after that.
- AARP is working to ensure that Congress does not use Social Security to address a debt it didn't create and to ensure that future beneficiaries continue to receive the same retirement security as future beneficiaries.



**Thank you!**

