



Social Security Steps – Public Sector Focus

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The Basics

- ▶ Lifetime, inflation-adjusted income
- ▶ Benefits based on your or your spouse's earnings
- ▶ Public sector worker benefits *may* be reduced
- ▶ When you claim makes huge difference
- ▶ Married? Claiming strategies can boost your combined lifetime benefits

Identify how Social Security relates to your goals:
spending, investments, providing for spouse...



1 Estimate Your Benefits

- ▶ Must have at least 10 earnings years*
- ▶ 35 highest earnings years are considered*
- ▶ Create online account to review your statement
– www.ssa.gov
- ▶ Check your earnings record for accuracy

Projected benefits assume you keep working at recent wages. Retire early and you may get less.

* For benefits based on your own earnings. Separate rules apply to spousal benefits. Earnings are adjusted for inflation based on a Social Security Administration formula.

2 Know Your Start Year Options

If you start ...	Impact on payments	Example of monthly benefit
AGE 62 or before Full Retirement Age (FRA) ¹	Up to 25-30% less ²	\$1,000
AGE 66-67 (FRA) ¹	Unreduced benefit	\$1,333
After FRA UP TO AGE 70	About 8% more each year you delay up to age 70	\$1,760

¹ Based on year of birth. FRA is age 66 for individuals born 1943-1954. Gradually higher for individuals born later.

² Also receive less if you start after age 62 but before your FRA. Reduction is based on year of birth.

3 Know Spousal Benefit Options

Once One Spouse Files and the Other is...	What Percent of Their Benefit Can the Other Spouse Receive?
AGE 62 – FRA	As low as 35%. Cannot then switch to higher benefit based on your earnings
FRA	50%
ANY AGE	50%, if caring for child under 16 or disabled

File early? Get lower benefit and may have fewer options. But no benefit to starting *after* FRA.

4 Know if You'll Get Less as a Public Sector Worker

WEP

Windfall **E**limination **P**rovision

what you/spouse/child get based on *your* earnings

GPO

Government **P**ension **O**ffset

what you get based on your spouse's earnings

Can reduce benefits if you:

1. Earn pension in job, Social Security taxes not paid
2. Qualify for Social Security through other work

Your Social Security statement won't show the reduction

WEP – How it Works

WEP

Reduction **up to ½ pension** or **\$428**, whichever is *less*¹

Your estimated age 66 monthly benefit

\$1,428

Your pension benefit

\$1,000

Your Social Security benefit is reduced to

\$1,000

- ▶ Does not affect your *spouse's* survivor benefits
- ▶ No impact if you paid Social Security taxes on 30 years of "substantial earnings"²

¹ 2016 figures. Refers to monthly benefits

² Defined as \$22,050 per year (2016)

WEP – A Detailed *Example*

AIME*	Social Security Benefit without WEP	Social Security Benefit Reduced by WEP
Up to \$856	\$770 (90% of \$856)	\$342 (40% of \$856)
\$856 - \$5,157	+\$1,373 (32% of \$4,291)	+\$1,373 (32% of \$4,291)
Over \$5,157	+\$0	+\$0
Monthly Benefit	= \$2,143	= \$1,715

WEP Impact: \$428 less Social Security benefits per month

* Average Indexed Monthly Earnings (AIME) refers to the monthly average of your 35 highest years of earnings on which you paid Social Security taxes and is indexed for inflation. It is used to calculate your benefit amount.

GPO – How it Works

GPO

Reduction of **2/3 of your pension** amount.
No limit – can completely eliminate benefit.

You get government pension of **\$600/month**

You're eligible for \$500 **\$500** in spouse/survivor benefits

You get **\$100** instead

Plan ahead – your benefit statement *won't* reflect WEP or GPO.
Check statement for \$0 earning years.

* No reduction if you did pay into Social Security during last 5 years of government service and government pension is based on work for which you did not pay into Social Security.

5 Evaluate When to Start – Claim Early



- ▶ Need the money or in poor health
- ▶ Limit withdrawals from savings in down markets



- ▶ Get less
- ▶ Longer you live, higher inflation is, lower investment returns are...more costly it can be



- ▶ Have children that qualify



If Claim Early and Still Working...

Benefits may be reduced but are paid back later¹

- ▶ Applies each year before FRA
- ▶ Applies to earnings above \$15,720²
- ▶ Benefits reduced \$1 for every \$2
- ▶ Beginning at FRA, future benefits are adjusted

If claiming early makes sense, don't *not* work or work *less* because you think you'll lose benefits

¹ Refers to gross wages. Withdrawals from savings, investment income, spouse's income, etc. are not considered. In year you reach FRA, for earnings over \$41,880 (2016 figures), benefits are reduced \$1 for every \$3

² 2016 figures.

Evaluate When to Start – Delay



- ▶ Valuable insurance against living a long life
- ▶ Guaranteed payment boost



- ▶ May require excess withdrawals from savings

Option for more flexibility – file and suspend and then if later regret, can receive retroactive benefits

Evaluate Claiming Early – if Married



- ▶ Lower earner's life expectancy is short
- ▶ Can switch to higher survivor benefit at FRA



- ▶ Reduced benefit payment
- ▶ Lose option to switch to benefit based on own record
- ▶ May lock spouse into a low survivor benefit

Evaluate Delay – if Married



- ▶ Potential to maximize spouse's survivor benefit – may be key if spouse younger and lower earner



- ▶ If married, consider only higher-earner spouse delay

Evaluate Claim Strategies – if Married... Restricted Application

Only available to those born before 1954¹

AGE 66 COUPLE

He files restricted claim for
\$1,000 spousal benefits



She files for \$2,000 benefits
based on her work record

At age 70, he switches
to his higher benefits

Maximize benefit later, get some income sooner.
May make sense if both spouses have similar work records.

For illustrative purposes only. Benefits are monthly.

¹ Also, as of Apr. 30, 2016, is only available if the other spouse has also claimed their own benefit.



6 Explore Options if Got Benefits *Too Early*

Withdraw your claim and reapply later

- ▶ Only within 12 months of first claiming benefits
- ▶ Must repay ALL benefits received¹

Or suspend benefits at FRA

- ▶ AGE 62 – began \$750 benefits (vs. \$1,000 age 66)
- ▶ AGE 66 – suspend benefits and earn delay credits
- ▶ AGE 70 – receive benefits of about \$1,000²

¹ Including spousal and dependent benefits, if applicable

² For illustrative purposes only. Benefits are monthly. Age 70 benefit depends on amount of potential COLAs received.

7 If Divorced, Know Your Options

Can get higher benefits based on ex's work record

- ▶ Must have been married at least 10 years¹
- ▶ Don't have to *wait* for ex-spouse to claim
- ▶ Ex-spouse doesn't have to know
- ▶ Lose benefits if remarry²

If claim early – get lower benefits and lose option to switch later to benefit based on your record

¹ Other conditions apply

² Exception: if a divorced spouse remarries at age 60 or later, they can claim *survivor benefits* on a deceased ex-spouse.



8 If Widowed, Know Your Options

Survivor benefits – can get...

- ▶ At FRA, 100% of what spouse¹ got or was or would have been *eligible* to get
- ▶ At age 60, *reduced* benefits, then switch to your own benefits^{2,3}
- ▶ Your own benefits, then switch to survivor benefits

Weigh pros/cons of starting:

1 Your own benefits at age 62 vs. 70

2 Survivor benefits at age 60 vs. 66

1 Or ex-spouse

2 Can get as *early as* age 60 unless you remarried before age 60 (or, if disabled, you can get as early as age 50 unless you remarried before age 50). If you did remarry, explore whether to apply for spousal benefits based on his/her record.

3 Subject to earnings cap if also still working.

9 If Have Minor, Dependent Children

If you're eligible for benefits, your children may be also

- ▶ Child must be under age 18, unmarried¹ OR over age 18, disabled²
- ▶ 50% of your FRA benefit, *even if* you claimed early
- ▶ Multiple children can be eligible
- ▶ Spouse under age 62 can get spousal benefit if child under age 16
- ▶ Maximum family benefit limit applies

1 If still in high school, child may be eligible at age 19


2 Disability must have begun before age 22



10 Plan Ahead for Taxes

½ Social Security Benefits + Other income = \$_____

	Single Filers	Married Joint Filers
Up to 50% taxable over...	\$25,000-\$34,000	\$32,000-\$44,000
Up to 85% taxable over...	\$34,000+	\$44,000+



Benefits are tax-free in many states. Know the laws of your state or the state you are considering moving to.

Explore the impact of retirement account withdrawal strategies



The Social Security Administration's Role

- ▶ Can provide helpful factual information about the rules and benefits you are eligible for
- ▶ Do not provide financial advice or planning – not their job to understand all the factors to consider

Tell them about ex-spouses, decedent spouses, minor or dependent children

Social Security Resources

- ▶ Your Social Security Statement
ssa.gov/myaccount
- ▶ Estimate benefits based on different start dates
ssa.gov/estimator
- ▶ WEP and GPO
ssa.gov/gpo-wep
- ▶ File and suspend benefits
ssa.gov/retire2/suspend.htm
- ▶ When to claim benefits
ssa.gov/retire2/otherthings.htm
- ▶ Spouse benefits
ssa.gov/retire2/yourspouse.htm
- ▶ Divorced spouses
ssa.gov/retire2/divspouse.htm
- ▶ Surviving spouses
ssa.gov/survivorplan
- ▶ Taxes
ssa.gov/planners/taxes.htm
- ▶ Social Security Checklist
www.icmarc.org/socialsecurity

Questions



THANK YOU

More retirement planning tips, tools, and
resources at www.icmarc.org/retiree