**Maximizing Social Security Benefits**

**Social Security Benefits are not necessarily a one- time choice and there is often opportunity to switch between benefits over time as a way to maximize social security benefits**

**When to Retire**

* **Early Retirement**
* **Begins as early as 62 years of age but benefit amounts reduced as much as 30% of full retirement age benefits and the reduction is permanent.**
* **If born in 1960 or after:**
* **Retire at age 62 = 70% of benefits**
* **Retire at age 63 = 75% of benefits**
* **Retire at age 64= 80% of benefits**
* **Retire at age 65 = 87% of benefits**
* **Retire at age 66= 93% of benefits**
* **Retire at age 67= 100% of benefits**

**Normal Retirement**

* **Age 65 if born in 1937 or before**
* **Age 65 to 66 years old 10 months based on sliding scale if born between 1938-1959**
* **Age 67 if born in 1960 or later**

**Delayed Retirement**

* **Benefit amounts increase 8% per year from full retirement age benefits up until age 70**
* **Someone born in 1960 will receive 124% of benefit amounts from normal retirement age**
* **Individuals must sign up at age 65 to receive Medicare benefits**
* **Delayed benefit credit available to surviving spouse of worker**

**Working in Retirement**

* **When the beneficiary has reached full retirement age, no benefits are lost because of earnings**
* **If the beneficiary is under full retirement age for the entire year, no benefits will be lost if the beneficiary earns less than $15, 720 for 2015.**
* **If the beneficiary earns more than $15,720 in 2015 and is under full retirement age for the whole year, one dollar of benefits will be lost for each two dollars of earnings.**
* **For someone reaching retirement age in 2015, no benefits will be lost if less than $41,880 is earned**
* **Only earnings before the month of retirement of reaching full retirement age count toward the $41,880 limit**
* **If more than $41,880 is earned in 2015 before the month the beneficiary reaches full retirement age, one dollar of benefits will be lost for each three dollars of earnings over $41,880.**
* **No matter how much is earned during 2015, no benefits will be lost in the initial year of retirement for any month in which the beneficiary neither (1) earns over $1,310 as an employee if retiring in a year prior to the year he reaches full retirement age, nor (2) renders any substantial services in self-employment**

**Following types of income are NOT counted as “earnings” for purposes of the retirement test**

**-Pensions and retirement pay**

**-Rentals from real estate**

**-Interest and dividends**

**-Retirement payments from a partnership**

**-Income from qualified plans**

**- Payments from IRAs and Keogh plans**

**- 401(K) s and qualified plans**

**Taxation of Social Security Benefits**

**If the only income the beneficiary receives is social security, no income tax is due**

**If the total of a person’s income plus half of benefits is more than base amount, some of the benefits are taxable**

**-$32,000 for married couples filing jointly**

**-$0 for married couples filing separately**

**-$25,000 for other taxpayers**

**50% Taxable**

* **Income more than the above amounts are taxed up to 50% of the benefit amount**

**85% Taxable**

* **Income more than the following amounts are taxed up to 85% of the benefit amount**

**- $44,000 for married couples filing jointly**

**- $0 for married couples filing separately**

**- $34,000 for other taxpayers**

**Maximizing Social Security Benefits**

**Basic Strategy**

**To get retirement income flowing, one spouse files for retirement either early or at full retirement age. The other spouse files for spousal benefits at age 62 and waits until age 70 to maximize individual benefits**

**File and Suspend**

* **Primary earner files for benefits at normal retirement age and then immediately requests that the benefit be suspended.**
* **Lower earner spouse files for spousal benefits**
* **By suspending benefits, the primary earner receives no payments and benefit payments grow at 8% per year while continuing to work**

**Spouse can retroactively change mind, start collecting and be given a lump sum payment for the suspended benefits**

**Allows anyone else eligible on your work record (spouse or child) to draw benefits. Also creates safety net that allows someone to file and suspend and then change their mind and get a lump sum**

**Disadvantage is it precludes you from having an HSA because you will get Medicare Part A (at least) and cannot participate in Medicare and have an HAS**

**Cannot file and suspend until full retirement age**

**Both spouses can file and suspend at the same time**

**Restricted Application**

* **Lower earner files for retirement benefits at normal retirement age**
* **Higher earner files “restricted application” for spousal benefits based on spouse’s earnings**
* **Higher earner delays retirement until age 70 to get 8% annual growth on earnings**

**Different than file and suspend which if filing for benefits on own work record. Restricted application is filing for spousal benefits on someone else’s work record while continuing to work.**

**Husband and wife cannot both file restricted application**

**Hybrid Approach**

* **For spouses who near the same age with one individual entitled to at least twice the other spouse**
* **Lower earner files at age 62 and collects individual benefits**
* **When lower earner reaches full retirement age, the higher earner files for benefits to allow spousal benefits but suspends collecting until age 70**

**Two High Earners Strategy**

* **For spouses who are entitled to similar benefits**
* **Lower earner claims spousal benefits at full retirement age and switches to full retirement benefits at age 70**
* **Higher earner files for benefits at FRA but suspends until age 70**

**Widows and Widowers**

* **Survivor benefits can be collected as age 60 ( survivor benefits are highest at FRA)**
* **Defers individual benefits until age 70 when benefits are at their highest**
* **These ages can be adjusted upward or downward for both the survivor benefits and individual benefits**