

Social Security Update - 2023

Presented by



The Growing AMAC Family



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The AMAC Foundation Mission

To help protect and ensure the financial security, health, and social lives of current and future mature Americans, and to help Americans navigate the bewildering array of decisions they need to make.

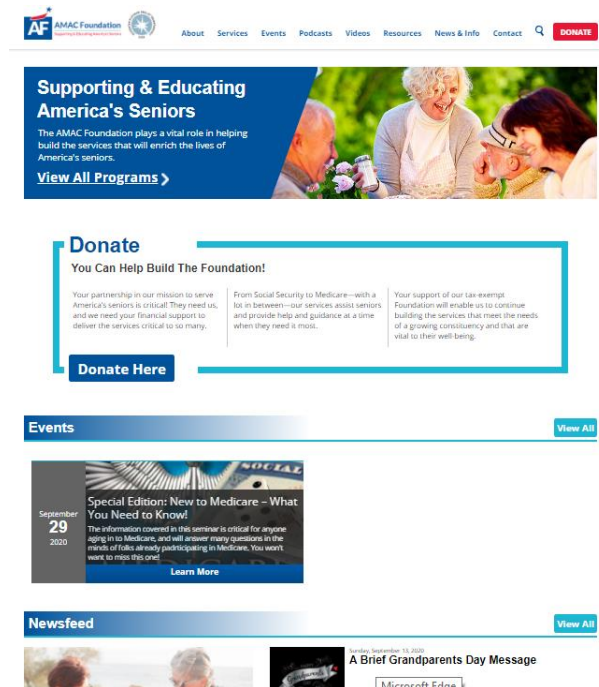


What the AMAC Foundation Does

- Public Seminars on Topics Vital to Seniors
- Publications on Matters Affecting Seniors
- Dedicated Social Security and Medicare informational websites
 - www.SocialSecurityReport.org
 - www.MedicareReport.org
- Operation of an Accredited Social Security Advisory Program



Our Primary Website (www.AmacFoundation.org)



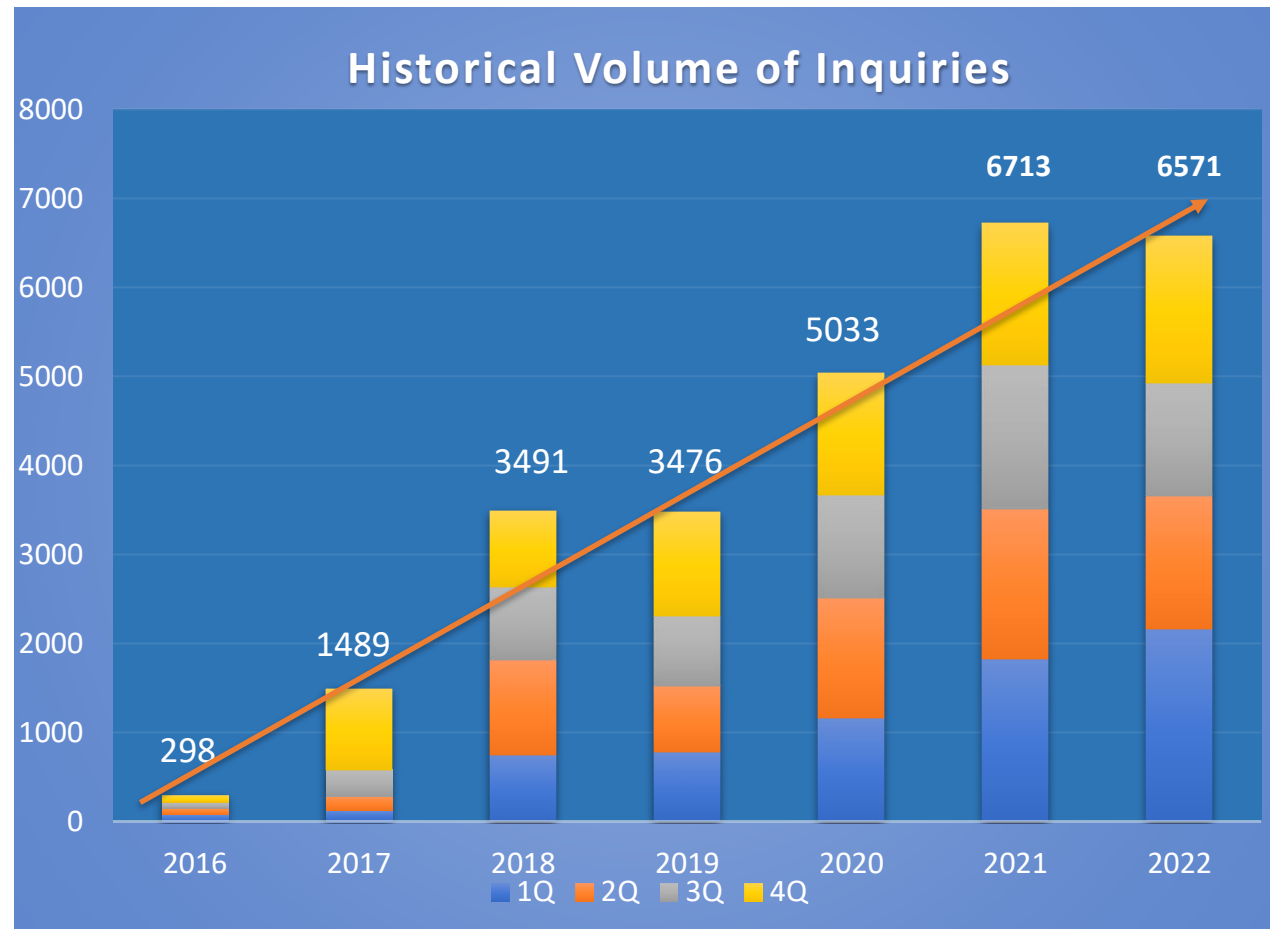
Contents:

- Foundation overview
- Services we offer
- Veterans Resources
- Upcoming events
- Audios
- Videos
- Resources
- News & Interesting Information

Social Security Advisory Service



- Launched January 2016
- Now Six Accredited Advisors
- Average 550 inquiries per Month
- Over 28,000 questions handled to date





Social Security Advisory Service

Our “Ask Rusty” Series

- Launched in Early 2017
- Weekly articles to 7000+ Media Outlets
- Have Published 300+ Articles
- Posted on Social Security Report Site
- Now Offering Audio Versions
- Compendium Published in Early 2019
- Second Compendium Published 2020
- Third Compendium Published 2022

SOCIAL SECURITY REPORT

Your Daily Resource for Vital Information. September 18th, 2020

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Q & A

Ask Rusty – Can I Claim My Widow's Benefit at Age 57?

Posted on September 8, 2020

Dear Rusty: My husband passed away in 2001, and he paid into Social Security every year he worked, which would be over 30 years. If he were alive today, he would be 75 years old. I am 57 years old and still working full time. Am I able to collect his Social Security benefits now since I am still working? **Signed: Widowed Worker**

Dear Widowed Worker: You are not eligible to collect a survivor benefit from your deceased husband if you have remarried, and you cannot collect the survivor benefit until you are at least 60 years of age. And if you claim at age 60 the survivor benefit will be reduced by 28.5% from what it would be if you waited until your full retirement age (FRA) to claim it (your full retirement age is 67). Any time any Social Security (SS) benefit is taken before FRA, it is reduced.

You can claim only your survivor benefit (not your own SS benefit) at age 60, but whenever benefits are taken before full retirement age, and you are still working, you are subject to Social Security's "earnings test" which limits how much you can earn before Social Security takes back some of your benefits.

The earnings limit for 2020 is \$18,240 (it changes yearly) and if the limit is exceeded Social Security will take back benefits equal to \$1 for

LATEST NEWS

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Payroll Tax Deferral Explained-- it's like a loan

SEPTEMBER 17, 2020
Why Don't The Bidens Get a Larger Social Security Benefit?

SEPTEMBER 17, 2020
Is a Second Stimulus Check in the Cards

Here's what we plan to cover today ...

- Social Security - What's New for 2023
- The Basics (Eligibility, Calculation of benefits, Retirement Age)
- When to file (Early, FRA, DRCs, Breaking Even)
- Taxation of Benefits
- Disability Basics (Eligibility, Working while on Disability, Transition to FRA)
- Spousal Benefits (Married Couples, Divorced Spouses)
- Surviving Spouse Benefits (Married Spouses and Ex-spouses)
- Working after filing (the "Earnings Test")
- Cost of Living Adjustments (COLA)
- Windfall Elimination Provision/Government Pension Offset (Who's affected, Impact on Benefits)
- Medicare
- Social Security Solvency

What's New In 2023?

- 2023 Cost of Living Increase = 8.7%
- The National Average Wage Index determines the following increases (or decreases)

	2023	2022
Maximum Taxable Earnings	\$160,200	\$147,000
Maximum SS Benefit FRA (66+2)	\$3,627	\$3,334
Quarter of Coverage	\$1,640	\$1,510
Earnings Test – under FRA	\$21,240/year (\$1,770/month)	\$19,560/year (\$1,630/month)
Earnings Test – Year of FRA	\$56,520/year (\$4,710/month)	\$51,960/year (\$4,330/month)

Who Can Collect Social Security ?

- ❖ Retirees (workers at least 62 years old)
 - Must have at least 40 quarter credits (10 years) of work to be eligible

- ❖ Spouses of Living Retirees (at least 62)
 - Current Spouses
 - Ex-Spouses (if married 10 years)

- ❖ Survivors of Deceased Retirees (at least 60 (50 if disabled))
 - Current, and ex-Spouses
 - Dependent Children under 18 (or 19 if still in high school)
 - Dependent Parents

- ❖ Disabled
 - Disabled workers with enough quarter credits (varies with age when disabled)
 - Disabled adult child if disability started before 22.

How Is My Benefit Calculated ?

- ❖ Social Security has your lifetime earnings record (from IRS)
- ❖ Annual earnings are adjusted for inflation
- ❖ 35 highest earning years (to annual max) are selected and totaled
- ❖ Divided by 420 to arrive at your “Average Indexed Monthly Earnings” (AIME)
- ❖ AIME is then divided into three segments used to compute your benefit at your Full Retirement Age (also known as your Prietary Insurance Amount or “PIA”)

Here is the benefit computation for someone who becomes eligible for SS in 2023, with an AIME of \$7000

Segments	Applied to	Multiplier	PIA Portion
First	\$0 to \$1,115 of AIME	90%	\$1,003.50
Second	\$1,115 to \$6,721 of AIME	32%	\$1,793.92
Third	Over \$6721	15%	\$41.85
Calculated Primary Insurance Amount (PIA)			\$2839

← 40%

The benefit will be rounded down to the nearest dollar

What Is My Full Retirement Age ?

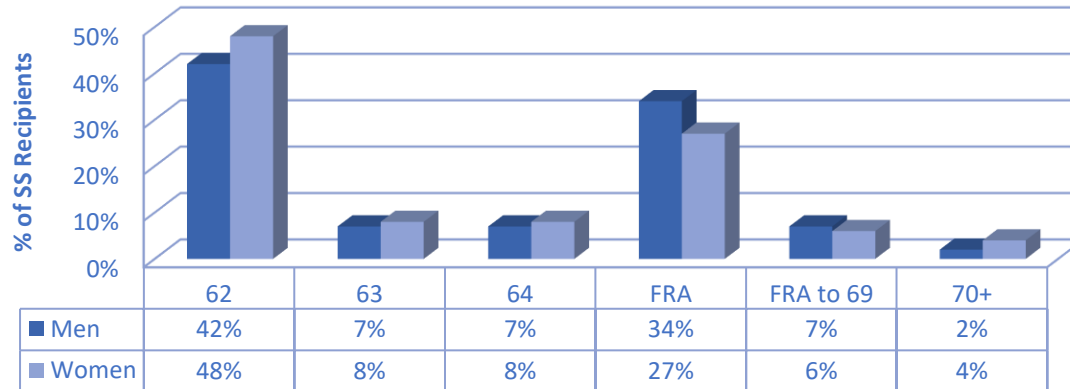
- ❖ Your “full retirement age” is when you can collect 100% of what you’ve earned by working over your lifetime
- ❖ Your FRA depends on when you were born:
 - Before 1938: 65
 - 1938 to 1942: 65 + 2 months each year
- ❖ “Full Retirement Age” for people retiring today is between 66 and 67

Your Year of Birth	Full Retirement Age
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 or later	67

- ❖ Raising the FRA in the future is possible, but wouldn’t affect today’s retirees

At What Age Should I Apply for Benefits ?

Claiming Age Distribution

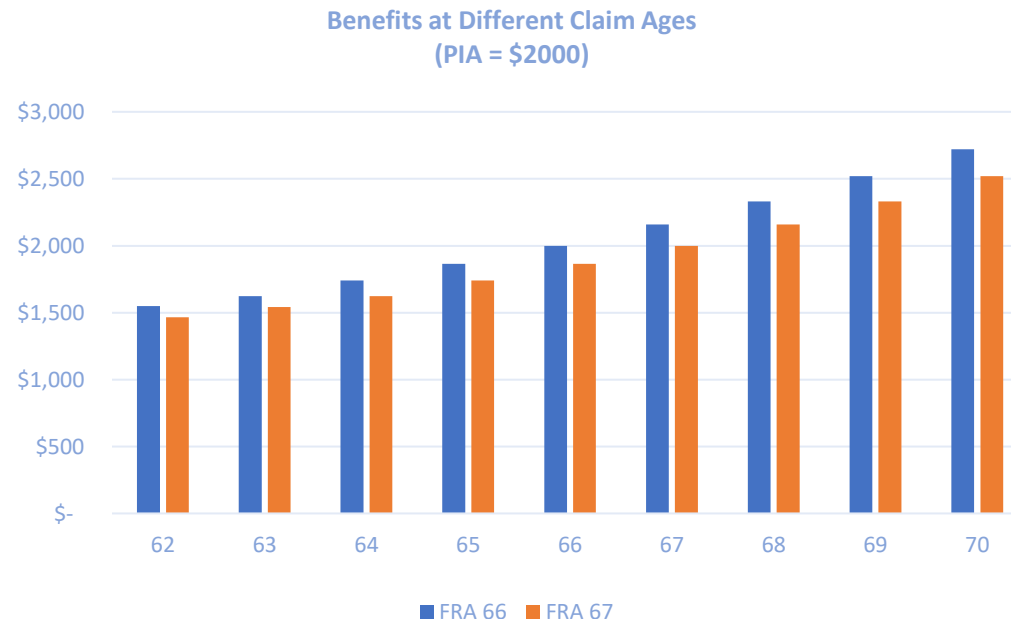


- ❖ There is no one “best age” to retire; everyone is different
- ❖ Answer to the question “When should I apply?” is “It depends”
 - It depends on your health & how long you expect to live
 - It depends on your financial situation – Do you need the money now?
 - It depends on your marital status & the concern for survivors’ benefits

BUT, don’t apply because you think Social Security is going bankrupt – it’s not !!

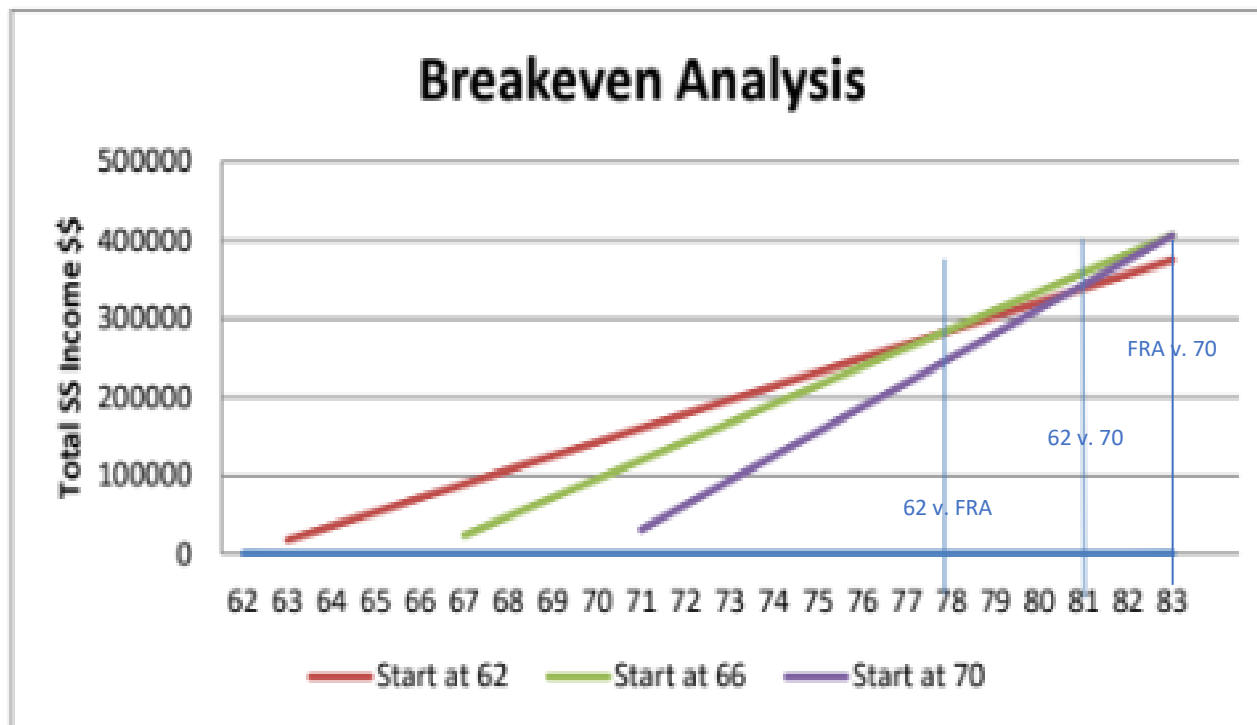
What if I Retire Earlier? Or Later ?

- ❖ Claiming at 62 will reduce your retirement benefit by 25 – 30% *for life*
- ❖ The longer you wait, the more you get each month
- ❖ Starting after your FRA can increase your retirement benefit by up to 32%



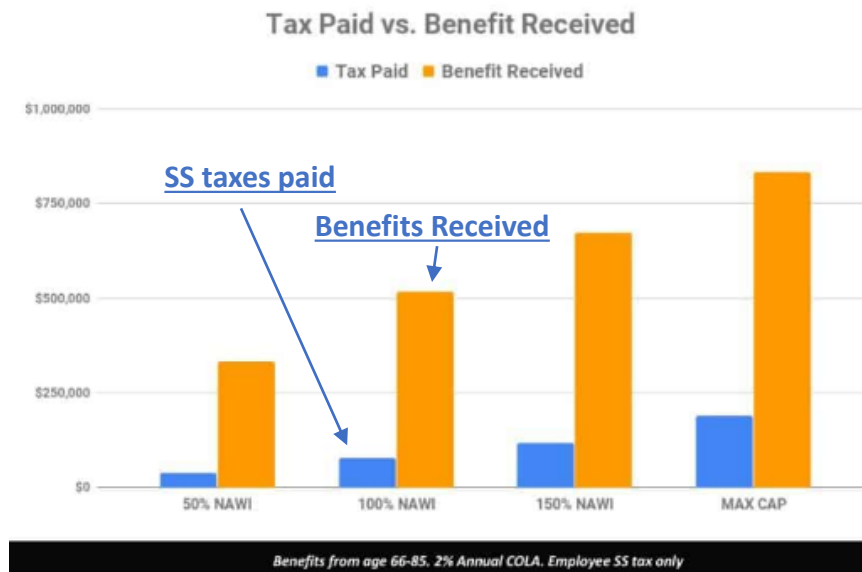
When Do I Breakeven ?

- ❖ There's a mathematical point at which the amount you receive if you claim later equals the amount you would have received if you had started early, usually between ages 78 and 83.

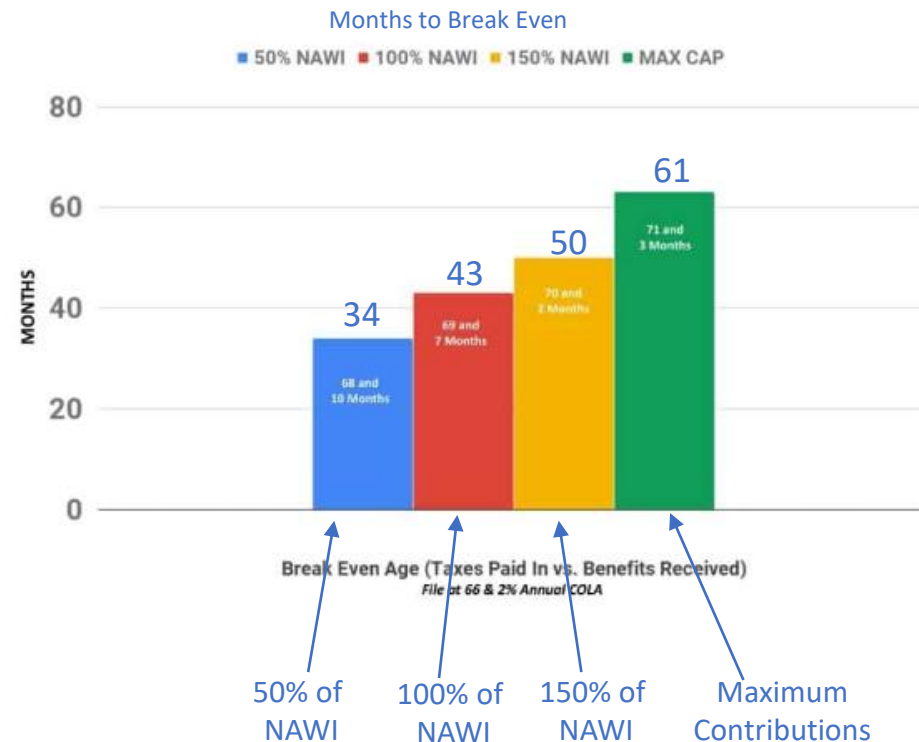


Dispelling a Myth

Will I Ever Get Back What I put into Social Security?



4 Different Categories of Earners



Working & Social Security

- ❖ Continuing to work can increase your benefit by replacing early-career years with no/low earnings, but.....
- ❖ If you continue to work after starting benefits early (before FRA), there is a limit to how much you can earn without affecting your benefits” (2023 limit = \$21,240/year or \$1,770/month)
- ❖ If you exceed annual earnings limit, SS will withhold \$1 for every \$2 over the limit (after you reach your FRA there is no earnings limit) If you retire mid-year and continue working, you may be affected by the monthly limit.
- ❖ Anything withheld from your benefits, may be eventually returned:
 - When you reach your FRA, your benefit will be recomputed to give you credit for any months of withheld benefits (and your benefit will go up). You’ll get that new benefit for the rest of your life.

Consider your future working plans while deciding when to apply for Social Security!!

- ❖ Special Rules for the Year You Reach FRA:
 - ❖ Between January 1 and the **month** you reach FRA, you can earn up to \$56,520 (2023 limit) without reduction
 - ❖ If you exceed that limit, \$1 for every \$3 earned in excess will be withheld
 - ❖ If this is your first year of taking your benefits and you continue to work, you may be subject to the monthly limit of \$4,710.
 - ❖ The limit disappears in the month you reach FRA and there is no longer an earnings limit beyond that point

Are Social Security Benefits Taxable ?

Yes, if:

- ❖ “Modified” Income Levels are exceeded
 - Filing Single = \$25,000 and \$34,000
 - Married Filing Jointly = \$32,000 and \$44,000
- ❖ If first level exceeded, up to 50% of SS benefits are taxable
- ❖ If second level exceeded, up to 85% of SS benefits are taxable

Benefits not taxable if first modified income threshold is not reached.

Note: Tax withholding on Social Security benefits is optional (IRS form W-4V)

Social Security Disability Insurance (SSDI)

SSDI is available to those who:

- ❖ Have a physical or mental condition that prevents them from engaging in any "substantial gainful activity" ("SGA")
 - The condition is expected to last at least 12 months or result in death
- ❖ Are under their Full Retirement Age
- ❖ Have sufficient Social Security Work Credits

Apply for SSDI as soon as you become disabled

- ❖ The determination process can take 3 to 5 months (can be longer)
- ❖ "Compassionate Allowances" are available (over 200, including certain types of cancer, ALS - Lou Gehrig's Disease, et al.), which may result in quicker approval.
- ❖ If approved, there is a 5-month waiting period - payments are made in the sixth month after your date of disability (waiting period waived in some circumstances, e. g. ALS)

There is an option for Spousal Benefits

- ❖ Recipient can be eligible for spousal benefit as early as age 62
 - Not subject to deemed filing, may wait to FRA to receive maximum benefit.
- ❖ Spouse must be collecting benefits

Spouses, Ex-spouses, and Survivors

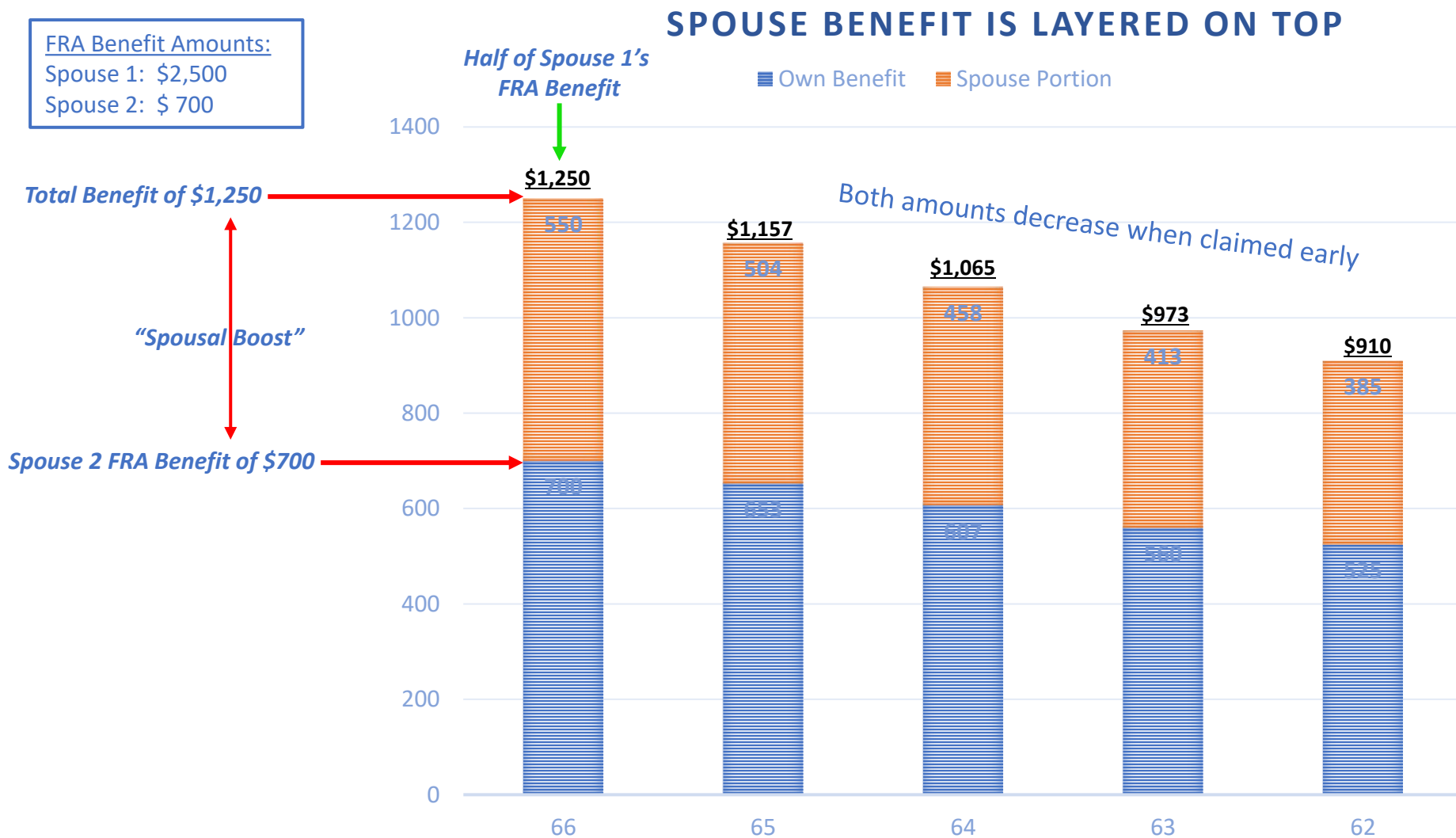
Spouses & Ex-spouses

- ❖ Spouses and ex-spouses collecting at 62 with FRA of 66 will receive about 35% of worker's PIA; up to 50% at their FRA (reduction for FRA of 67 even greater)
- ❖ Ex-spouses must have been married to worker for at least 10 years and not remarried
- ❖ No "spousal boost" if benefit on own work record is greater

Survivors

- ❖ Surviving spouses at FRA get 100% of worker's benefit if married 9 months or more
- ❖ Surviving ex-spouses get 100% of worker's benefit if married 10 years or more
- ❖ Both can collect reduced benefits at 60 (50 if disabled); can collect earlier if caring for minor child of deceased
- ❖ Dependent minor children and dependent parents can also get benefits
- ❖ Family maximum may apply

What Happens If Both Spouses Have SS Retirement Benefits?



End of the "Restricted Application for Spouse benefits Only"



Spouses & Ex-spouses

- ❖ This strategy is no longer available for anyone born January 2nd, 1954 or later.
- ❖ The last age group eligible to use this strategy turned 66 on January 1st, 2020
- ❖ If you have not claimed your benefits yet, and were born before January 2nd, 1954, and your spouse has taken their benefits, you can file a restricted application.
- ❖ Ex-spouses can file a restricted application as long as their ex-spouse is eligible to receive their benefits and they meet all the other requirements.
- ❖ Divorced spouses are the only ones that can file on each other.

Cost-of-Living-Adjustment (COLA)

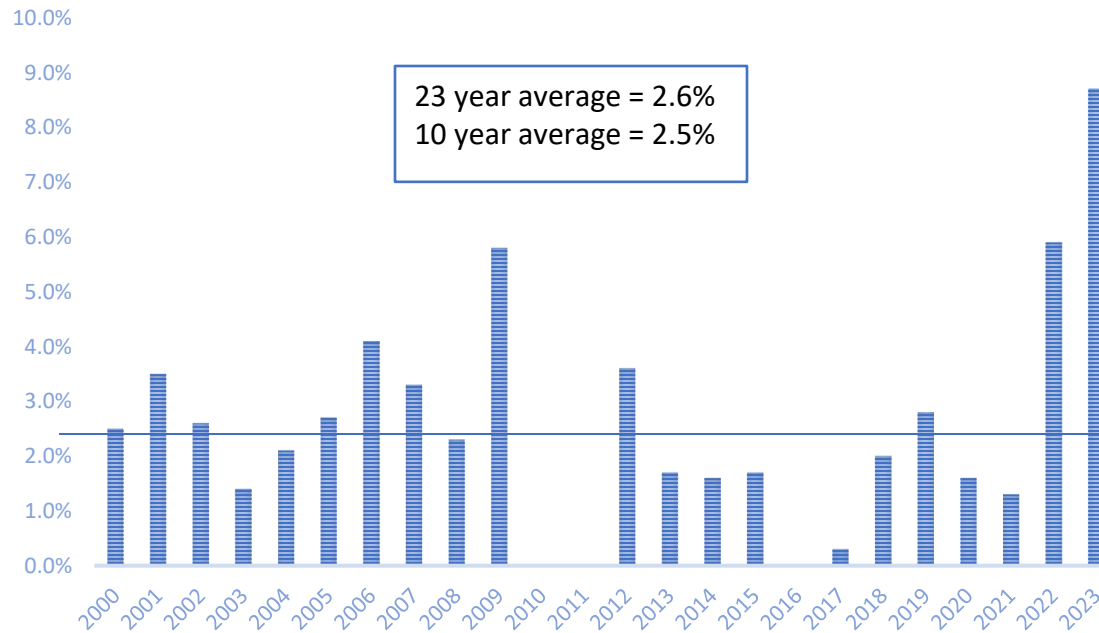
- ❖ How COLA is Determined
 - ❖ Consumer Price Index for Urban Wage Earners and Clerical Workers - "CPI-W"
 - ❖ Average change over time in the spending patterns of workers employed in clerical or wage-paying jobs
 - ❖ Based on workers who have been employed for at least 70 percent of the year.
 - ❖ CPI-W is measured monthly, but only the third quarter (July – September) counts:
 - ❖ CPI-W for July-September of current year is compared to same period last year
 - ❖ If higher, the result is next year's COLA
 - ❖ If lower, COLA set at 0%

Cost-of-Living-Adjustment

2023 COLA = 8.7%

Social Security COLA History – 2000 - 2023

COLA HISTORY



Maximum Taxable Earnings in 2023 = \$160,200



- ❖ AKA the “wage base” or “SS Payroll Tax Cap” – the maximum earnings on which you pay a 6.2% SS FICA tax (*Note: Medicare 1.45% FICA doesn't stop*)
- ❖ 2023 wage base = \$160,200 (up about 8.25% from 2022 wage base of \$147,000)
- ❖ Determined by Changes to the National Average Wage Index
 - The formula will make your eyes glaze over: “1994 wage base times the ratio of previous year NAWI compared to 1992 NAWI”
 - Changes only if COLA is given, and only if more than previous year's base
- ❖ Maximum SS payroll tax for 2023 is \$9,932.40– up \$818.40 over 2022

Social Security Benefits "By the Numbers"

❖ 2023 Maximum Benefit Amounts

- ❖ At FRA: \$3,627
- ❖ At age 70: \$4,555

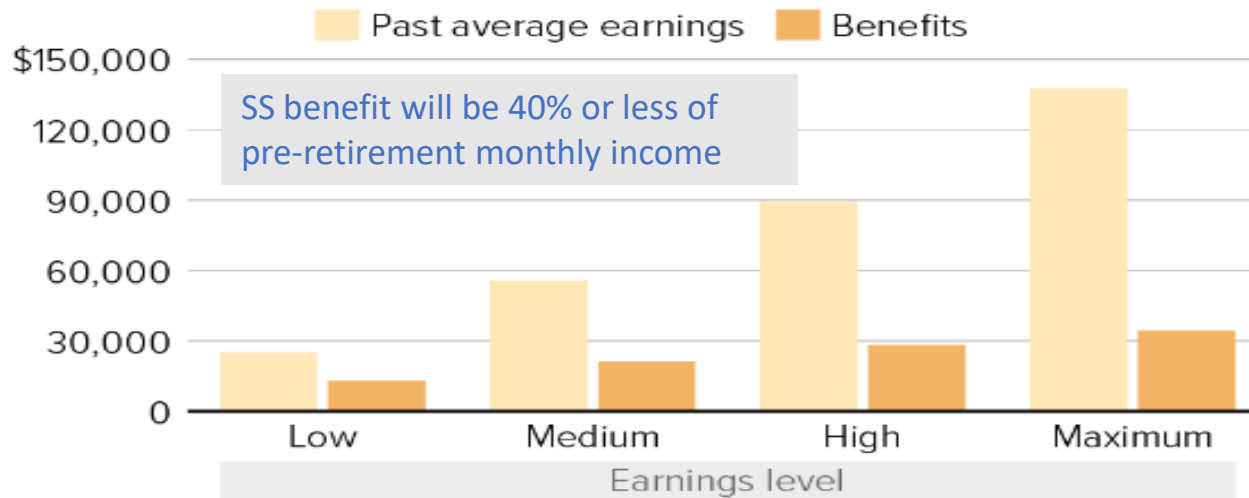
❖ Average Benefits

- ❖ Retiree: \$1,827
- ❖ Retired Couple: \$2,972

- ❖ 50% of couples and 70% of singles rely on Social Security for 50% of their income
- ❖ 21% of couples and 45% of singles rely on Social Security for 90% of their income

Social Security Benefits Are Progressive

Annual benefits and earnings for worker retiring at age 65 in 2020



Source: Social Security Administration, 2020 trustees' report

Social Security's Windfall Elimination Provision (WEP)



Windfall Elimination Provision (WEP)

- ❖ Applies to those who worked for certain state or local government agencies (including school systems), as well as older Federal retirees.
 - Specifically, work that was not covered by Social Security and for which Social Security payroll tax was not withheld
 - Earnings from this work will not show up in Social Security's calculation, thus lowering the calculated benefit
 - WEP in turn accounts for these earnings by applying a different formula to determine benefits
- ❖ Earnings from Social Security-covered work can offset the WEP reduction

Windfall Elimination Provision (cont'd)

Windfall Elimination Provision (WEP) *Continued*

❖ WEP goes beyond the worker's PIA

- The effect of WEP applies also to spousal benefits and other dependent benefits
- WEP does not apply to survivors' benefits

❖ To avoid the WEP reduction:

- You have the option to forfeit the government pension
 - ✓ You can do this by withdrawing only the contributions you paid in before you become eligible for your pension.

How WEP Reduction Decreases with More Years Contributing to SS

Windfall Elimination Provision (WEP) *Continued*

- ❖ The maximum WEP reduction for someone turning 62 in 2023 is \$557. This maximum reduction amount stays with you no matter what age you retire.
- ❖ The WEP reduction can never be more than 50% of your non-covered pension.
- ❖ You can reduce the WEP reduction or eliminate it all together through earning additional years of “substantial” earnings.

ELY	<= 20	21	22	23	24	25	26	27	28	29	30
2023	\$557	\$501	\$446	\$390	\$334	\$278	\$223	\$167	\$111	\$55	\$0

- ❖ Each year of substantial earnings you have above 20 years reduces the reduction by an additional 5%. <https://www.ssa.gov/pubs/EN-05-10045.pdf>

Windfall Elimination Provision Sample Reduction

Example WEP Reduction of Worker first eligible for SS in 2023 with AIME of \$1,500

Regular Formula		WEP Formula	
90% of first \$1,115	= \$1,004	40% of first \$1,115	= \$446
32% of earnings \$1,115 through \$6,721	= \$ 123	32% of earnings over \$1,115 through \$6,721	= \$123
15% over \$6,721	= <u>\$0</u>	15% over \$6,721	= <u>\$0</u>
Total after rounding	\$1,127	Total after rounding	\$569

<https://www.ssa.gov/benefits/retirement/planner/anyPiaWepjs04.html>

Government Pension Offset (GPO)

Government Pension Offset (GPO)

- ❖ Applies to spouses who receive a pension from government work that was not covered by Social Security
 - Applicable to spouses, divorced spouses, surviving spouses, surviving divorced spouses, and deemed spouses
 - GPO results in Social Security spousal benefit reduction of \$2 reduction for every \$3 (or .667%) of non-covered pension
- ❖ To avoid the GPO reduction:
 - ❖ For at least five years before you retire, work in a position where you are contributing to both Social Security and the same pension plan.

Medicare

Medicare Basics

You don't need to take Social Security when you enroll in Medicare!

The Parts of Medicare:

- ☐ Part A – Coverage for in-patient hospitalization services
- ☐ Part B – Outpatient services (doctors, medical tests, etc.)
- ☐ Part D – Prescription Drug coverage from private insurers
- ☐ Part C – Medicare Advantage (private coverage providing Parts A and B (and sometimes Part D))

Part A is free to those eligible for SS

Part B standard 2023 premium is \$164.90

Part D premiums vary by provider & plan selected

Part C may, or may not, be additional cost (over Part B)

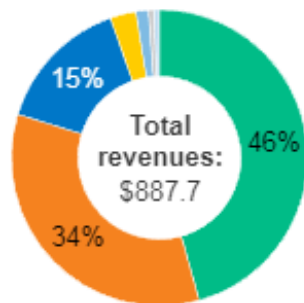
How Is Medicare Funded?

Figure 1

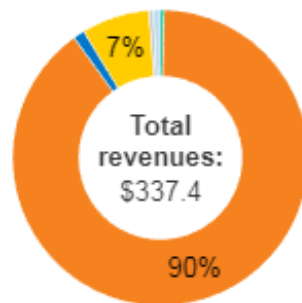
Medicare Revenues Come From Different Sources, Primarily General Revenues, Payroll Taxes, and Premiums Paid by Beneficiaries

Revenues for calendar year 2021, by source:

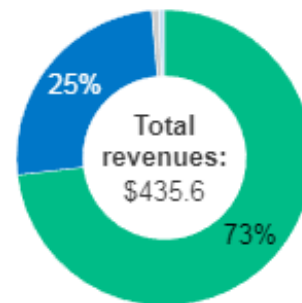
General revenue Payroll taxes Premiums Taxation of Social Security benefits Transfers from states
Other revenue Interest



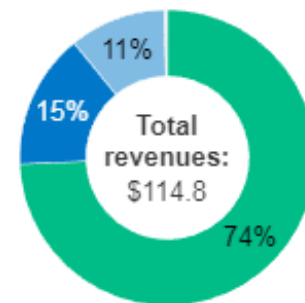
TOTAL



Part A



Part B



Part D

SOURCE: KFF analysis of data from the 2022 Annual Report of the Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Trust Funds, Table II.B1, June 2022. • PNG

Medicare Doesn't Cover Everything

Medicare doesn't cover:

- Prescription drugs
- Eyeglasses and exams to get glasses
- Hearing aids and exams to get aids
- Dental care or dentures
- Long term (custodial) care
- Acupuncture
- Routine foot care

Medicare pays 80% of covered services;
20% is co-pay

Medicare Part A and B both have a deductible:

- Part A 2023 deductible = \$1,600
- Part B 2023 deductible = \$226
- No out-of-pocket maximum

What are “Medigap” Supplemental plans and Medicare Advantage plans?

Do I Need to Take Medicare at 65?

- You must have Part A to collect Social Security after age 65
- Part B isn't mandatory because there is a premium ... but
 - ✓ you'll pay a lifetime late enrollment penalty if you enroll outside your Initial Enrollment Period (65), or Special Enrollment Period

You can defer enrolling in Medicare if you have “creditable” healthcare coverage from your employer

Medicare's "Income-Related Monthly Adjustment Amount" (IRMAA)



If your yearly income in 2021 (for what you pay in 2023) was:			You pay each month (in 2023) for:	
Individual tax return	File joint tax return	File married & separate tax return	<u>Part B</u>	<u>Part D</u>
\$97,000 or less	\$194,000 or less	\$97,000 or less	\$164.90	your plan premium
\$97,001 – \$123,000	\$194,001 - \$246,000	Not applicable	\$230.80	\$12.20 + your plan premium
\$123,001 - \$153,000	\$246,001 - \$306,000	Not applicable	\$329.70	\$31.50 + your plan premium
\$153,001 - \$183,000	\$306,001 - \$366,000	Not applicable	\$428.60	\$50.70 + your plan premium
\$183,001 - \$499,999	\$366,001 - \$749,999	\$97,001 - \$402,999	\$527.50	\$70.00 + your plan premium
\$500,000 or above	\$750,000 or above	\$403,000 or above	\$560.50	\$76.40 + your plan premium

Social Security Solvency

An Update on the Impending Social Security Solvency Crisis

- ❖ What's the problem?
- ❖ How did the problem develop?
- ❖ What can be done about it?

From the 2022 CBO Long-Term Budget Outlook:

“CBO projects that the Old-Age Survivors, and Disability Insurance (OASDI) trust funds would be exhausted in calendar year 2033.”

“The total reduction in annual benefits necessary for the trust funds’ outlays to match their revenues in each year after the two trust funds were exhausted would be about 25 percent in 2033 and would rise to about 30 percent in 2051, in CBO’s estimation.”

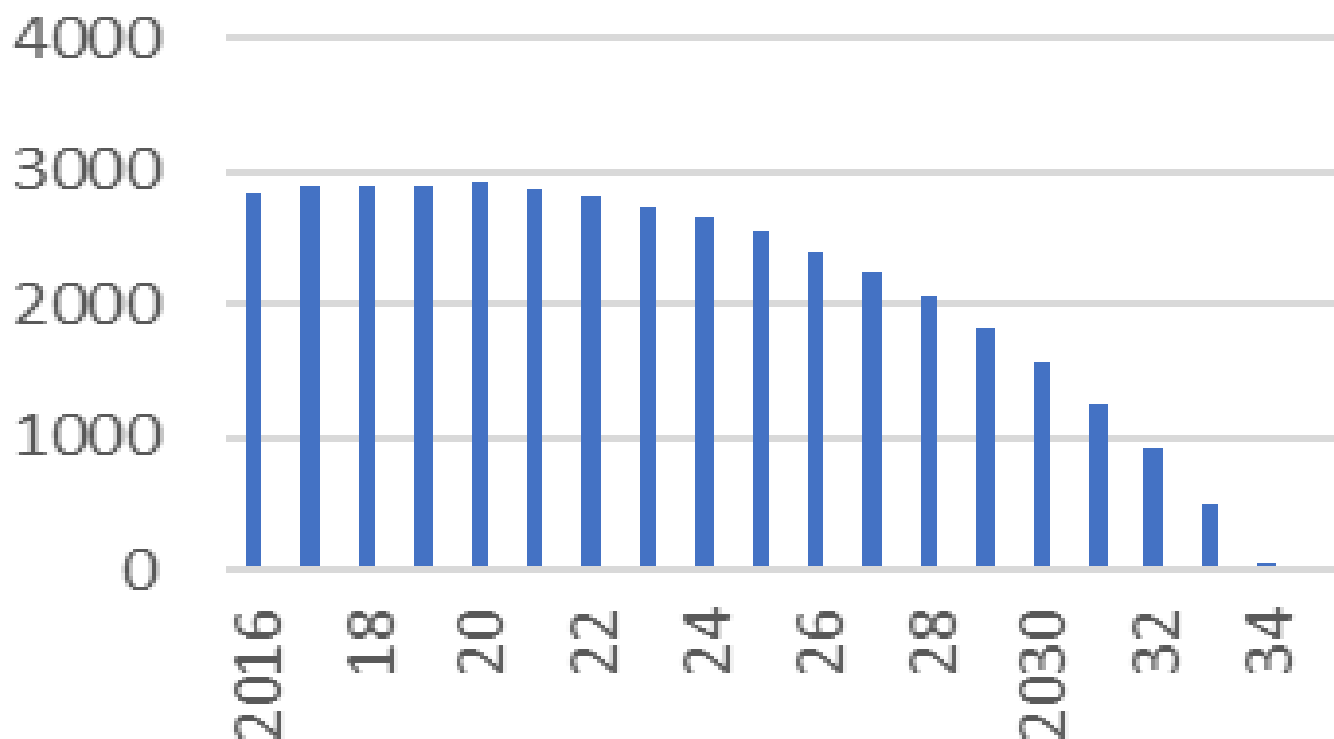
<https://www.cbo.gov/system/files/2021-03/56977-LTBO-2021.pdf> (page 32)

How did the problem develop?

- ❖ As a society, we are living longer
- ❖ These additional years of payments are compounded by the fact that less workers are paying into the system
- ❖ Interest rates continue at historic lows
- ❖ Social Security's Trust Fund reserves are consuming themselves

Social Security Trust Funds Year-End Balances 2016-2035

Billions



There are Only Two Options at this Point:

- ❖ Do nothing
 - ❖ Allow Everyone's Social Security Benefits to be Cut in 2033...or Sooner
- ❖ Address the problem
 - ❖ Adapt Social Security to the Economy of the 21st Century
- ❖ *"Policymakers have not significantly altered Social Security's underlying structure since it was designed in 1935 for retirement ... Since that time, the economy, the labor market, and American society in general have transformed in countless ways, rendering many of the underlying predicates of the program invalid." Mark J. Warshawsky – American Enterprise Institute, former Deputy Commissioner for Retirement and Disability Policy – SSA)*

AMAC's Proposed Solution:

- Gradually increase full retirement age from 66-67 to 70 and adding mechanism to keep pace with life expectancy (retaining Early Retirement Age at 62)
- Make modest adjustments to internal calculations to reduce benefits, mostly for higher earners
- Modify and Guarantee the Annual Cost-of-Living Adjustment Process via an across-the-board average COLA
- Eliminate the pre-FRA Social Security earnings test
- Improve portability, transparency, and availability of 401k, IRA, and other retirement savings instruments
- Either eliminate the federal income tax on Social Security benefits or increase the thresholds for taxation to account for inflation from the past four decades
- For those beneficiaries below the annual Social Security maximum, increase the benefit available to surviving spouses

A Few Parting Words

❖ Thank you for joining us this morning!

- This seminar is an on-going part of the Foundation's seminar series
- Watch the Foundation's "Events" page for future sessions
 - www.AmacFoundation.org/Events

❖ Our Social Security Advisory Service is available free-to-the public anytime

- Visit www.AmacFoundation.org/Services for direction

❖ To stay current on what's happening in Social Security and Medicare, visit our two information-packed websites:

- www.SocialSecurityReport.org
- www.MedicareReport.org



Questions
???



