



THE PRICE GROUP
EVERYONE NEEDS A WEALTH COACH

Social Security 101

Within your retirement plan, Social Security retirement benefits typically are an important asset alongside other investment assets.

Baby boomers are living longer, on average, than any previous generation. It is good news, but it also presents several challenges. A longer life increases the likelihood that you will have substantial medical and long-term care expenses. The value of your nest egg will be up against a rising cost of living (i.e. inflation) over a longer period of time. And, quite simply, you could outlive your money.

Social Security is a key source of retirement income, and to maximize its value, you need a strategy.

This guide offers an overview of how these important benefits work and the critical factors to maximize your benefits.

In addition to reading this guide, please watch our *Wealth Coach Podcast* covering **[SOCIAL SECURITY MAXIMIZATION](#)** for more information.

KEY TAKEAWAYS

Deciding when and how to begin Social Security retirement benefits involves a number of factors specific to your personal situation.

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Delaying benefits on your own account as long as you can (up to age 70) will increase the amount you are eligible to receive, as well as increase the survivor benefits.

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A key component of The Price Group's *Live Well Plan* is understanding your Social Security benefits and maximizing the income you receive through strategy selection.

**SOCIAL SECURITY
MAXIMIZATION**





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KEY ISSUES TO ADDRESS BEFORE DRAWING SOCIAL SECURITY BENEFITS

YOUR AGE: WHEN SHOULD YOU DRAW BENEFITS?

Perhaps the most impactful decision you can make regarding Social Security benefits is the age at which you'll begin drawing them. Your full retirement age (FRA) falls between ages 66 and 67, depending on the year in which you were born. You need 10 years of work history (40 credits) to qualify for your own benefits, which will be based on an average of the 35 years in which you earned the most. Higher lifetime earnings result in higher benefits, and if there are years in which you earned low or no income, your benefit amount may be lower than if you had worked steadily.

You may be eligible to draw benefits sooner than your FRA – as early as age 62 – but this will permanently reduce the payout you are eligible to receive. On the other hand, if you elect to delay benefits until after your FRA (up to age 70), you will receive an increased benefit.

If you are considering applying for benefits soon, you're likely concerned with four primary decision factors:

1

Your Age
When should you draw benefits?

2

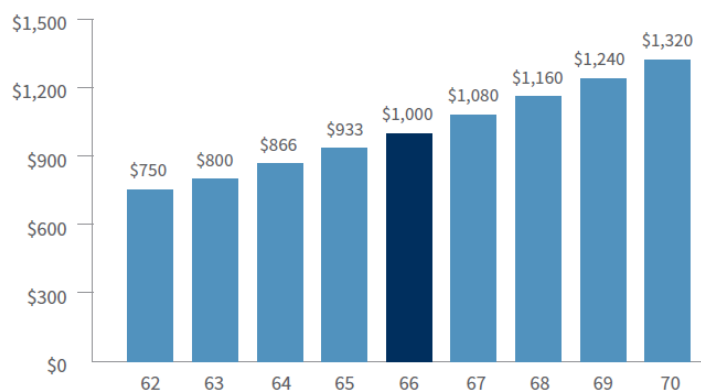
Your Job
How do earnings impact your benefits?

3

Your Taxes
How are benefits taxed when combined with other retirement income?

4

Your Marriage
How do spousal and survivor benefits work?



Assuming full retirement age of 66.

THE VIRTUE OF PATIENCE

Your benefits will differ based on the age you begin collecting them. For example, waiting to draw Social Security – up to age 70 – will increase your benefits, while drawing benefits before your FRA will reduce your payout.



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FULL RETIREMENT AGE (FRA)

Full retirement age is age 66 for anyone born from 1943 through 1954. Reduced benefits are still available starting at age 62.

If you were born between 1954 and 1960, your FRA is 66 plus 2-month increments depending on the year you were born (see the table below). If you were born in 1960 or later, your FRA is 67.

KEEP MEDICARE IN MIND:

Even though you are eligible to receive Social Security benefits starting at age **62**, keep in mind that Medicare eligibility age remains **65**.

DELAYED RETIREMENT CREDIT

Once you reach FRA, a delayed retirement credit is applied to your benefits for each full year that you delay drawing benefits. The delayed retirement credit is 8% per year for those born in 1943 or later. The credit stops once you reach age 70.

Year of birth	Full retirement age	Percentage of full benefits received at 62	Yearly increase if retirement delayed beyond FRA
1943 – 1954	66	75	8%
1955	66 and 2 months	74.1	8%
1956	66 and 4 months	73.3	8%
1957	66 and 6 months	72.5	8%
1958	66 and 8 months	71.6	8%
1959	66 and 10 months	70.8	8%
1960 or later	67	70	8%

Source: Social Security Administration, www.ssa.gov

BENEFIT LIMIT

The maximum monthly Social Security benefit that an individual who files a claim for Social Security retirement benefits in 2021 can receive per month is as follows:

- \$4,194 for someone who files at age 70
- \$3,345 for someone who files at full retirement age
- \$2,364 for someone who files at age 62



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YOUR JOB: HOW DO EARNINGS IMPACT YOUR BENEFITS?

If you are employed and earning an income, it may be to your advantage to continue working and delay drawing Social Security until FRA to avoid partial withholding of benefits.

If you elect to start drawing benefits before reaching your FRA, they will be reduced by \$1 for every \$2 of annual earnings above \$19,560. If you reach FRA in 2022, the earnings limit is \$51,960 through the months before your birthday. Above that, the reduction is \$1 for every \$3. If you continue to work, there are no earnings limits after reaching FRA; you will receive your full benefit.



THE LONG GAME

If you choose to continue working beyond your FRA, the benefits are twofold: you'll likely increase your eventual Social Security payout and have more time to contribute to your qualified retirement plans.

	2022 Earnings Limit
Under FRA \$1 of benefits withheld for every \$2 of earnings exceeding limit	\$19,560
Year individual reaches FRA \$1 of benefits withheld for every \$3 of earnings exceeding limit	\$51,960
Month individual reaches FRA and beyond Reduction no longer applies	Unlimited



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YOUR TAXES: HOW ARE BENEFITS TAXED WHEN COMBINED WITH OTHER RETIREMENT INCOME?

Social Security benefits may be taxed depending on your total provisional income. Provisional income is the sum of your adjusted gross income plus any tax-exempt interest plus 50% of your Social Security benefits. Depending on your filing status and provisional income, there are different income tax thresholds. If your preliminary adjusted gross income falls within these thresholds, a portion of your Social Security benefit must be included as taxable income on your federal income tax return.

Filing Status	Provisional Income	% of Benefit Potentially Taxable
Single	<\$25,000	0%
	\$25,000-\$34,000	50%
	>\$34,000	85%
Married, filing jointly	<\$32,000	0%
	\$32,000-\$44,000	50%
	>\$44,000	85%

YOUR MARRIAGE: HOW DO SPOUSAL AND SURVIVOR BENEFITS WORK?

There are three critical factors in determining Social Security benefits for spouses: length of the marriage, work history and the age of both spouses.



When applying for Social Security benefits, each spouse is deemed to have filed for both their own benefit and any spousal benefit for which they are eligible, unless filing restricted application, and will automatically receive the highest amount for which they are eligible.

If the higher-earning spouse elects to receive benefits before or after attaining FRA, their benefit will be reduced or increased, whereas the spousal benefit remains dependent on the PIA at the filing age of the spouse. If the spouse claiming spousal benefits claims prior to their FRA, their benefit will be permanently reduced.

RESTRICTED APPLICATION

Only those who were born January 1, 1954 or earlier can collect a spousal benefit while allowing their individual benefit to continue earning delayed retirement credits.

Restricted application can only be used at full retirement age.



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To receive benefits based on a **spouse's work history**:

- Both spouses must be at least age 62.
- They need to have been married for at least one year or have a dependent child together.
- The spouse must apply for and begin taking their Social Security retirement benefits or filed and suspended their retirement benefit before May 2, 2016.

To receive benefits based upon a **deceased spouse**:

- They need to be age 60 and married for at least nine months before death occurs, or
- Any age if he or she has a child who is under age 16 or disabled.
- Should the widow(er) remarry before the age of 60, the Social Security benefit for the widow(er) will terminate - but the benefit for the eligible child will not.

To receive benefits based on a **divorced spouse's work history**:

- Both spouses must be at least age 62.
- They must have been married for at least 10 years.
- The claiming spouse cannot be remarried, unless they remarry after age 60, or unless remarried to a person receiving benefits as a widow, widower, parent or disabled child.
- They must have been divorced for at least two years, unless entitled before the divorce in which case there is no waiting period.

To receive benefits based upon a **deceased divorced spouse**:

- They must have been married for at least 10 years.
- They are at least 60 years old, or 50 if disabled.
- They haven't remarried before the age of 60.

NEXT STEPS

There are 80+ strategies for a married couple to select from when applying for Social Security benefits. Since each situation is unique, it is very important to seek guidance to understand and also maximize your benefits.

Begin the process by giving The Price Group a call to take a comprehensive look at your situation in the context of your *Live Well Plan*. We have the tools, resources and expertise to help you weigh your options and make the decisions that best fit into your overall retirement plan.

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