

**Social
Security**



In the Beginning



- ❑ The Social Security Act was signed into law 8/14/35
- ❑ Taxes were collected for the first time in January 1937 and the first one-time, lump-sum payments were made that same month
- ❑ Regular ongoing monthly benefits started in January 1940



In the Beginning

- ❑ On January 31, 1940, the first monthly retirement check was issued to Ida May Fuller of Ludlow, Vermont
- ❑ She paid approximately \$25 in Social Security tax
- ❑ Her check was \$22.54
- ❑ Ida collected a total of \$22,888 in monthly benefits until she passed away in 1975 at the age of 100



Funding



- ❑ Social Security is funded primarily by a 7.65% tax you pay on wages, which is matched by your employer:
 - ❑ 6.2% to fund Social Security
 - ❑ 1.45% to fund Medicare

- ❑ **OASDI = Old Age, Survivors, and Disability Insurance Program** (Social Security's official name)

- ❑ **FICA = The Federal Insurance Contributions Act** (This is the federal law that mandates the withholding of Social Security contributions)



Maximum Wage Taxed

Contribution and benefit bases, 1937-2017

Year	Amount	Year	Amount	Year	Amount
1937-50	\$3,000	1986	\$42,000	2006	\$94,200
1951-54	3,600	1987	43,800	2007	97,500
1955-58	4,200	1988	45,000	2008	102,000
1959-65	4,800	1989	48,000	2009	106,800
1966-67	6,600	1990	51,300	2010	106,800
1968-71	7,800	1991	53,400	2011	106,800
1972	9,000	1992	55,500	2012	110,100
1973	10,800	1993	57,600	2013	113,700
1974	13,200	1994	60,600	2014	117,000
1975	14,100	1995	61,200	2015	118,500
1976	15,300	1996	62,700	2016	118,500
1977	16,500	1997	65,400	2017	127,200
1978	17,700	1998	68,400	2018	128,700
1979	22,900	1999	72,600	2019	132,900
1980	25,900	2000	76,200		
1981	29,700	2001	80,400	2020	137,700
1982	32,400	2002	84,900		
1983	35,700	2003	87,000		
1984	37,800	2004	87,900		
1985	39,600	2005	90,000		

Note: Amounts for 1937-74 and for 1979-81 were set by statute; all other amounts were determined under automatic adjustment provisions of the Social Security Act.



Social Security (page 30)

- ❑ As you work & pay taxes you earn up to 4 “credits” a year
- ❑ To qualify for benefits you need at least 40 credits, or (10 years) of work
- ❑ Your 35 highest years of earnings are used to calculate your **Average Indexed Monthly Earnings (AIME)**



AIME

- ❑ “Indexed” means that earnings are multiplied by an inflation factor to make past salaries equal to what they would be worth in today’s dollars
- ❑ For example, \$20,000 earned in 1988 would be equal to \$52,000 in indexed earnings in 2020

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1988	\$45,000	\$20,000	2.60	\$52,000
1989	\$48,000		2.50	
1990	\$51,300		2.39	
1991	\$53,400		2.31	
1992	\$55,500		2.19	
1993	\$57,600		2.18	
1994	\$60,600		2.12	
1995	\$61,200		2.04	
1996	\$62,700		1.94	
1997	\$65,400		1.83	
1998	\$68,400		1.74	
1999	\$72,600		1.65	
2000	\$76,200		1.56	
2001	\$80,400		1.53	
2002	\$84,900		1.51	
2003	\$87,000		1.48	
2004	\$87,900		1.41	
2005	\$90,000		1.36	
2006	\$94,200		1.30	
2007	\$97,500		1.25	
2008	\$102,000		1.22	
2009	\$106,800		1.24	
2010	\$106,800		1.21	
2011	\$106,800		1.17	
2012	\$110,100		1.14	
2013	\$113,700		1.12	
2014	\$117,000		1.08	
2015	\$118,500		1.05	
2016	\$118,500		1.03	
2017	\$127,200		1.00	
2018	\$128,400		1.00	



AIME

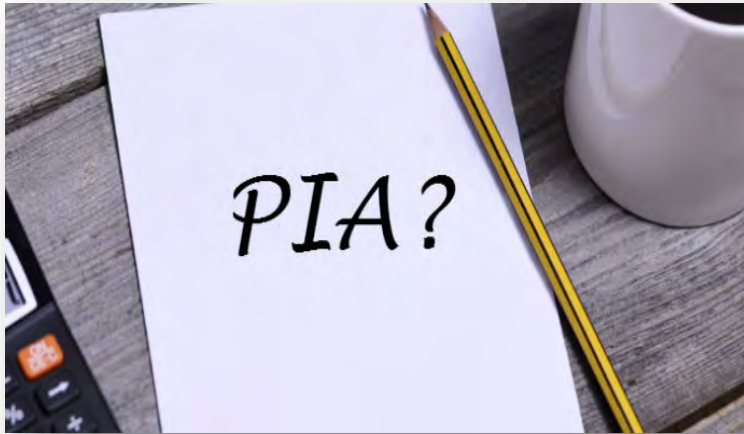
- The total of your 35 highest years of earnings are then divided by 420 (the number of months in 35 years)
- The result is your Average Indexed Monthly Earnings (AIME)
- Highest AIME at age 66 in 2020 is \$10,683

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1988	\$45,000	\$20,000	2.60	\$52,000
1989	\$48,000		2.50	
1990	\$51,300		2.39	
1991	\$53,400		2.31	
1992	\$55,500		2.19	
1993	\$57,600		2.18	
1994	\$60,600		2.12	
1995	\$61,200		2.04	
1996	\$62,700		1.94	
1997	\$65,400		1.83	
1998	\$68,400		1.74	
1999	\$72,600		1.65	
2000	\$76,200		1.56	
2001	\$80,400		1.53	
2002	\$84,900		1.51	
2003	\$87,000		1.48	
2004	\$87,900		1.41	
2005	\$90,000		1.36	
2006	\$94,200		1.30	
2007	\$97,500		1.25	
2008	\$102,000		1.22	
2009	\$106,800		1.24	
2010	\$106,800		1.21	
2011	\$106,800		1.17	
2012	\$110,100		1.14	
2013	\$113,700		1.12	
2014	\$117,000		1.08	
2015	\$118,500		1.05	
2016	\$118,500		1.03	
2017	\$127,200		1.00	
2018	\$128,400		1.00	



Primary Insurance Amount (PIA)

- Another name for your Social Security benefit is your **Primary Insurance Amount (PIA)**



Maximum Social Security benefit
at Full Retirement Age of 66 in
2020:

\$ 3,011/month
\$ 36,132/year

“Bend Points”

- 90% of the first \$960 of your AIME
- 32% of the next \$5,785 of your AIME
- 15% of your AIME over \$6,745 (up to a maximum of \$10,683 at age 66)



Social Security (page 31)

- ❑ For those born in 1937 or earlier, full Social Security is payable at age 65
- ❑ The Full Retirement Age (FRA) gradually increases to 67 for those born in 1960 or later
- ❑ No matter what year your full benefits are due, you collect reduced benefits at age 62

<u>Year of Birth</u>	<u>Full Retirement Age</u>
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 & later	67



Reduced Benefits

- ❑ If you collect Social Security before your FRA, you will receive a reduced benefit
- ❑ For example, if your FRA was 66 and you collect at 62, you would receive 75% of the FRA benefit
- ❑ If your FRA was 67 and you collect at 62, you would receive 70% of the FRA benefit

WHAT IS YOUR FULL RETIREMENT AGE?

YEAR OF BIRTH	AGE TO RECEIVE FULL BENEFITS	AGE 62 BENEFITS AS % OF FULL RETIREMENT BENEFITS
1937 or earlier	65	80.0%
1938	65 and 2 months	79.17
1939	65 and 4 months	78.33
1940	65 and 6 months	77.50
1941	65 and 8 months	76.67
1942	65 and 10 months	75.83
1943-1954	66	75.0
1955	66 and 2 months	74.17
1956	66 and 4 months	73.33
1957	66 and 6 months	72.50
1958	66 and 8 months	71.67
1959	66 and 10 months	70.83
1960 and later	67	70.0

Note that your full retirement age depends on when you were born.

You'll receive a smaller benefit if you decide to begin receiving benefits at age 62. If you choose to delay receiving payments until age 70, you would qualify for the maximum benefit. Review the Social Security Administration's "When to Start Your Benefits" section at www.socialsecurity.gov/retire2/applying1.htm to learn more about the benefits you'd receive at different ages.

Source: The Social Security Administration's table at: www.socialsecurity.gov/retrechartred.htm.



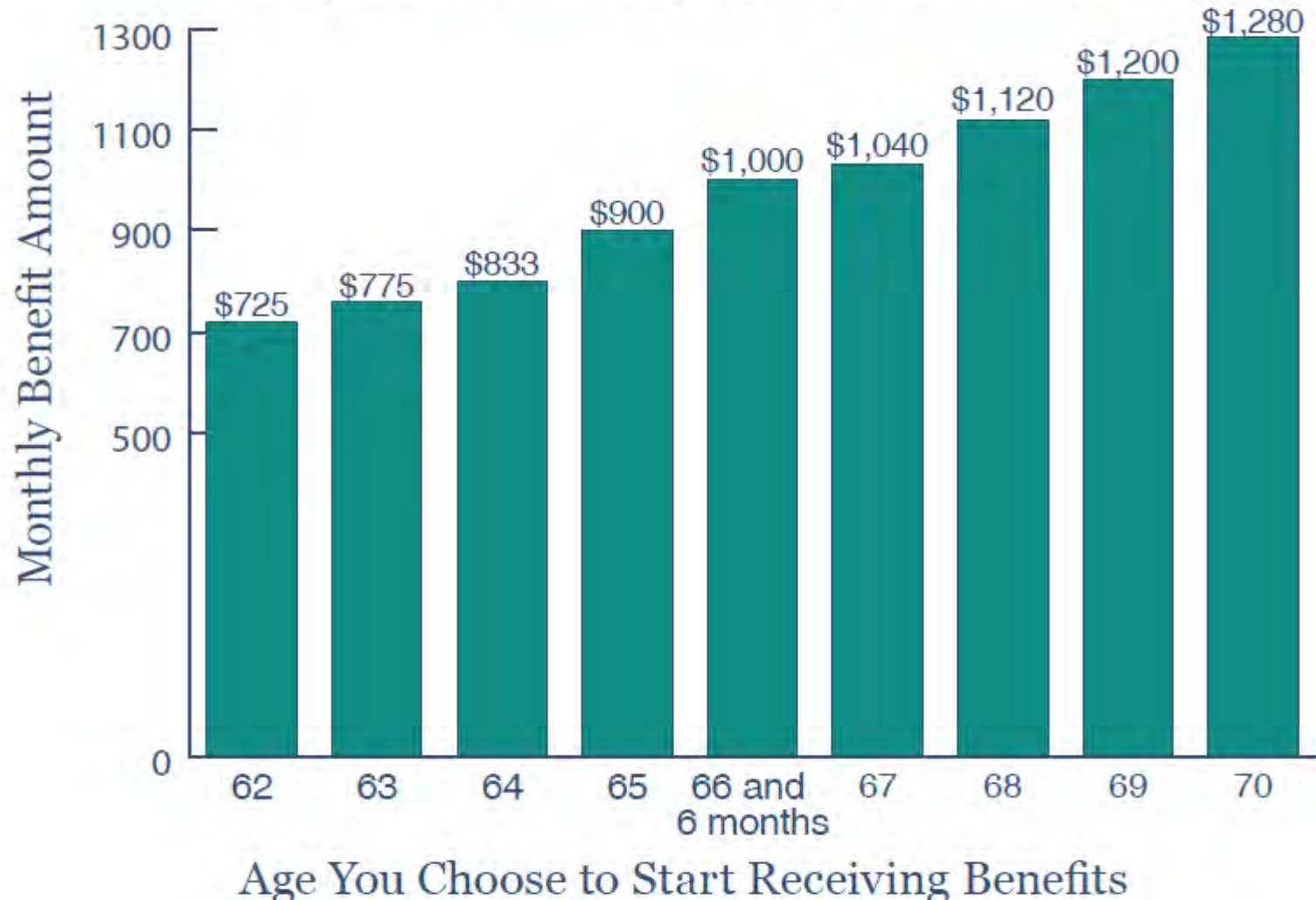
Social Security (page 31)

- ❑ Your benefit will also increase if you delay collecting past your FRA
- ❑ Increases by 8% per year until age 70 (if born in 1943 or later)



Monthly Benefit Amounts Differ Based on the Age You Decide to Start Receiving Benefits

This example assumes a benefit of \$1,000 at a full retirement age of 66 and 6 months



Spousal Benefits



- ❑ You may collect Social Security based on your own work record, that of a spouse, or a combination of both
- ❑ Maximum spousal benefit is 50% of the worker's unreduced benefit
- ❑ Reduction for retiring before your own FRA
- ❑ If spouse's own benefit is less than 50% of the worker's, benefits can be combined to reach maximum 50%
- ❑ Spouse's payment does not reduce payment to the worker



Family Benefits



If you are collecting Social Security benefits, your spouse and child can also receive Social Security benefits based on your work record

Your Child

Not married and under age 18 (under 19 if still in high school)

Not married and disabled before age 22

Your Spouse

Age 62 or older

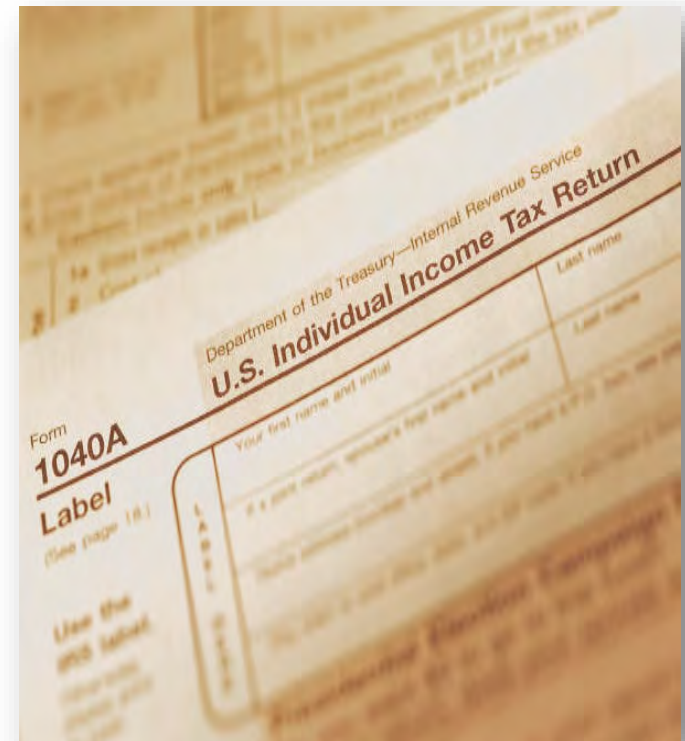
Any age if caring for a child under age 16 or disabled



Taxes on Social Security

(page 32)

- ❑ Up to 85% of your Social Security may be federally taxable, depending on your total income
- ❑ There is no NYS income tax on Social Security payments
- ❑ Most states do not tax Social Security, but there are exceptions
- ❑ See IRS Publication 915 for more information & worksheets



Inflation Protection

- ❑ Social Security payments are currently adjusted for inflation through an annual **Cost-of-Living-Adjustment**, or COLA
- ❑ This COLA is based on the percentage increase in the **Consumer Price Index (CPI)** from the previous year
- ❑ The increase in Social Security payments that results—if any—is payable starting in January of each year

Year	COLA	Year	COLA
2007	3.3%	2014	1.5%
2008	2.3%	2015	1.7%
2009	5.8%	2016	0.0%
2010	0.0%	2017	0.3%
2011	0.0%	2018	2.0%
2012	3.6%	2019	2.8%
2013	1.7%	2020	1.6%



Social Security Earning Limitations

The limit on earnings for those collecting Social Security who have not reached the year of their Full Retirement Age (FRA):

\$18,240 (2020)
(\$1,520 per month)

One dollar in Social Security benefits is withheld for every \$2 in earnings above this limit



Social Security Earning Limitations

For example, assume in 2019 you collect a Social Security benefit at age 63, and have a part-time job that pays you \$21,240 from January to December

Earnings in 2019:	\$21,240
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Earnings limitation:	<u>\$18,240</u>
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Amount over limit:	<u>\$ 3,000</u> ÷ 2
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Social Security Withheld:	\$ 1,500
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Social Security Earning Limitations

The limit on earnings for those collecting Social Security in the year of their FRA, but who have not reached the month of FRA:

\$48,600 (2020)
(\$4,050 per month)

One dollar in Social Security benefits is withheld for every **\$3** in earnings above this limit



Social Security Earning Limitations

The limit on earnings for those at their Full Retirement Age (65 – 67):



Social Security (page 30)

- ❑ Toll free # is:
(800) 772-1213
- ❑ You can speak to a representative or use touch tone buttons to access information
- ❑ Representatives are available weekdays from 7:00 a.m. to 7:00 p.m.
- ❑ **ssa.gov** is an excellent site for information on Social Security. On this site you can.....
- ❑ Download virtually any Social Security publication
- ❑ Various Social Security benefit calculations:
 - **ssa.gov/estimator**
- ❑ View your most recent Social Security Statement:
 - **ssa.gov/mystatement**
- ❑ Review latest COLA's, earning limitations, etc.
- ❑ Apply online for regular and disability Social Security retirement

