# Social Security: What to Know Before You Claim

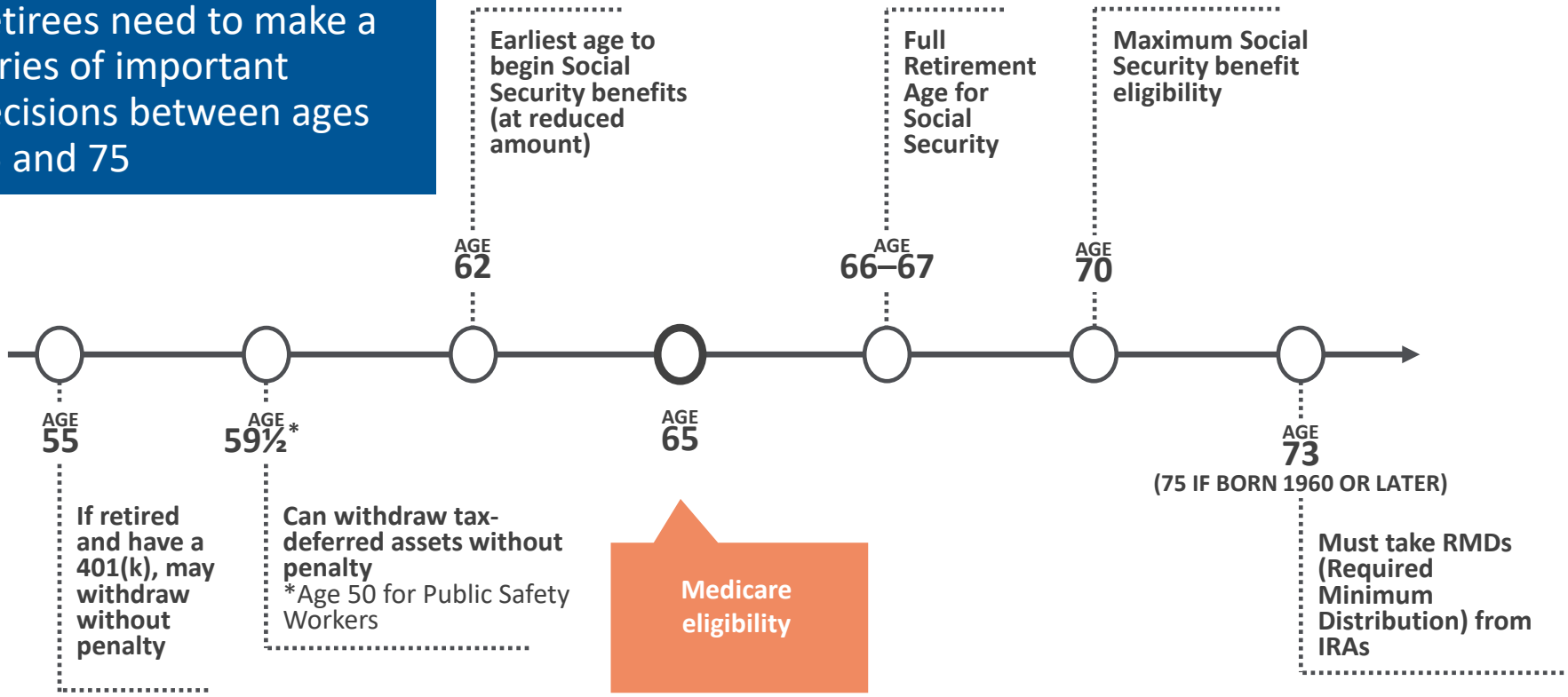
Presented by:
Jon Hlavac, CFP®

everhart ADVISORS UNIVERSITY

# The Retirement Income Challenge

## Retirement decision points

Retirees need to make a series of important decisions between ages 55 and 75



# Social Security Basics

- Created to help older Americans, workers who become disabled, and families in which a spouse or parent dies
- It was never intended to be the only source of income for people when they retire
- Preferential tax treatment
- Spousal and survivorship benefits

# How are Benefits Determined?

## Becoming eligible:

- 40 retirement credits
- One credit earned for every $1,890 earned (as of 2026)
- Maximum of 4 credits per year
- Credits do not expire and will remain on Social Security record
- Paid Social Security payroll taxes for at least 10 years
- At least 62 years old

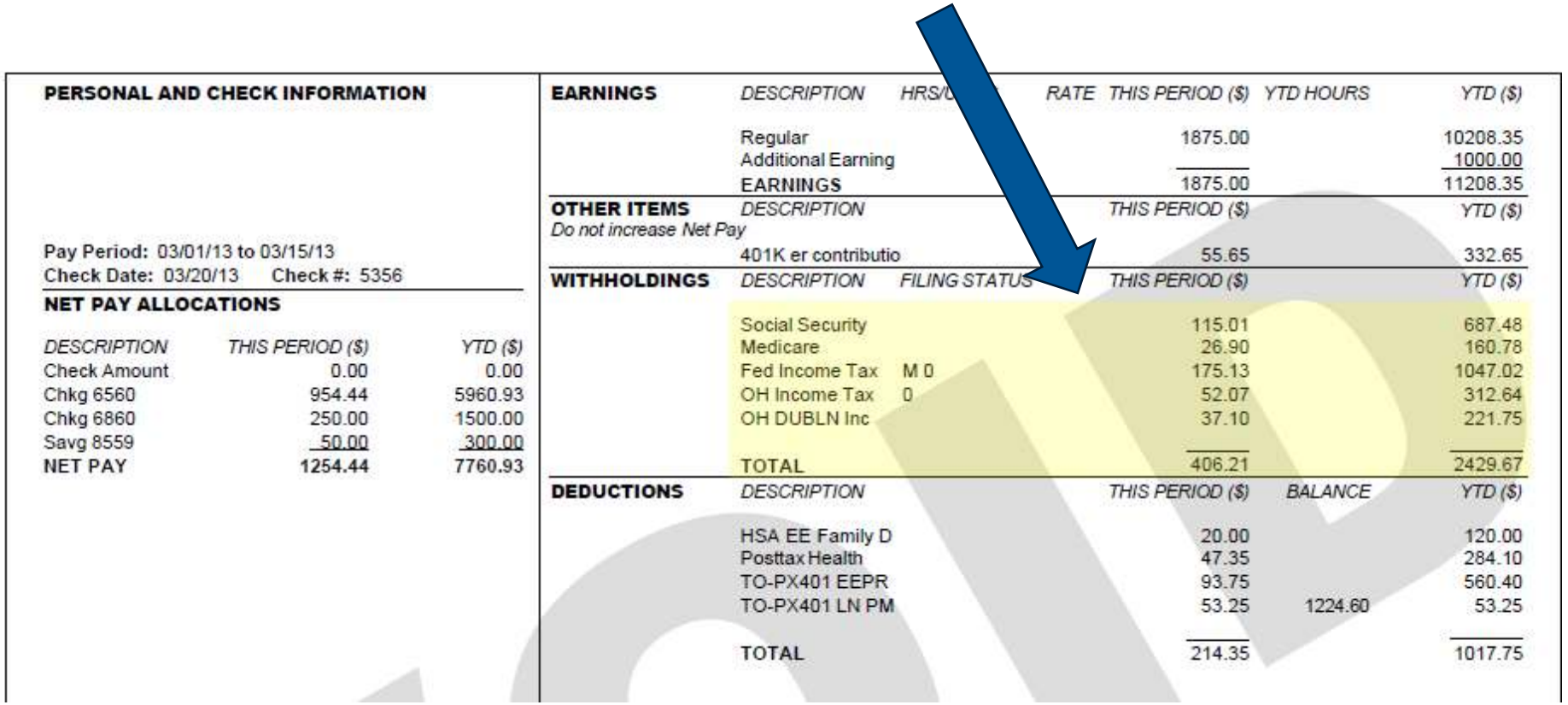
## Benefits calculated based on:

- Average of the 35 highest years of Social Security-covered earnings
  - $0 is used in calculation for any year (up to 35 years) where you have no earnings
- Capped at $4,152/month for FRA (as of 2026)
- Subject to cost-of-living adjustment (COLA)

https://www.ssa.gov/planners/credits.html

# Sample Pay Stub

**6.2% from the Employer**
**6.2% from the Employee**



**PERSONAL AND CHECK INFORMATION**

Pay Period: 03/01/13 to 03/15/13
Check Date: 03/20/13 Check #: 5356

**NET PAY ALLOCATIONS**

| *DESCRIPTION* | *THIS PERIOD ($)* | *YTD ($)* |
|---|---|---|
| Check Amount | 0.00 | 0.00 |
| Chkg 6560 | 954.44 | 5960.93 |
| Chkg 6860 | 250.00 | 1500.00 |
| Savg 8559 | 50.00 | 300.00 |
| NET PAY | 1254.44 | 7760.93 |

| **EARNINGS** | *DESCRIPTION* | *HRS/U* | *RATE* | *THIS PERIOD ($)* | *YTD HOURS* | *YTD ($)* |
|---|---|---|---|---|---|---|
| | Regular | | | 1875.00 | | 10208.35 |
| | Additional Earning | | | | | 1000.00 |
| | EARNINGS | | | 1875.00 | | 11208.35 |

| **OTHER ITEMS** | *DESCRIPTION* | *THIS PERIOD ($)* | *YTD ($)* |
|---|---|---|---|
| *Do not increase Net Pay* | | | |
| | 401K er contributio | 55.65 | 332.65 |

| **WITHHOLDINGS** | *DESCRIPTION* | *FILING STATUS* | *THIS PERIOD ($)* | *YTD ($)* |
|---|---|---|---|---|
| | Social Security | | 115.01 | 687.48 |
| | Medicare | | 26.90 | 160.78 |
| | Fed Income Tax | M 0 | 175.13 | 1047.02 |
| | OH Income Tax | 0 | 52.07 | 312.64 |
| | OH DUBLN Inc | | 37.10 | 221.75 |
| | TOTAL | | 406.21 | 2429.67 |

| **DEDUCTIONS** | *DESCRIPTION* | *THIS PERIOD ($)* | *BALANCE* | *YTD ($)* |
|---|---|---|---|---|
| | HSA EE Family D | 20.00 | | 120.00 |
| | Posttax Health | 47.35 | | 284.10 |
| | TO-PX401 EEPR | 93.75 | | 560.40 |
| | TO-PX401 LN PM | 53.25 | 1224.60 | 53.25 |
| | TOTAL | 214.35 | | 1017.75 |

# Items to Consider

**Working**

- Will you continue to work part-time?
- Will you work, even part-time, before FRA?

**Longevity**

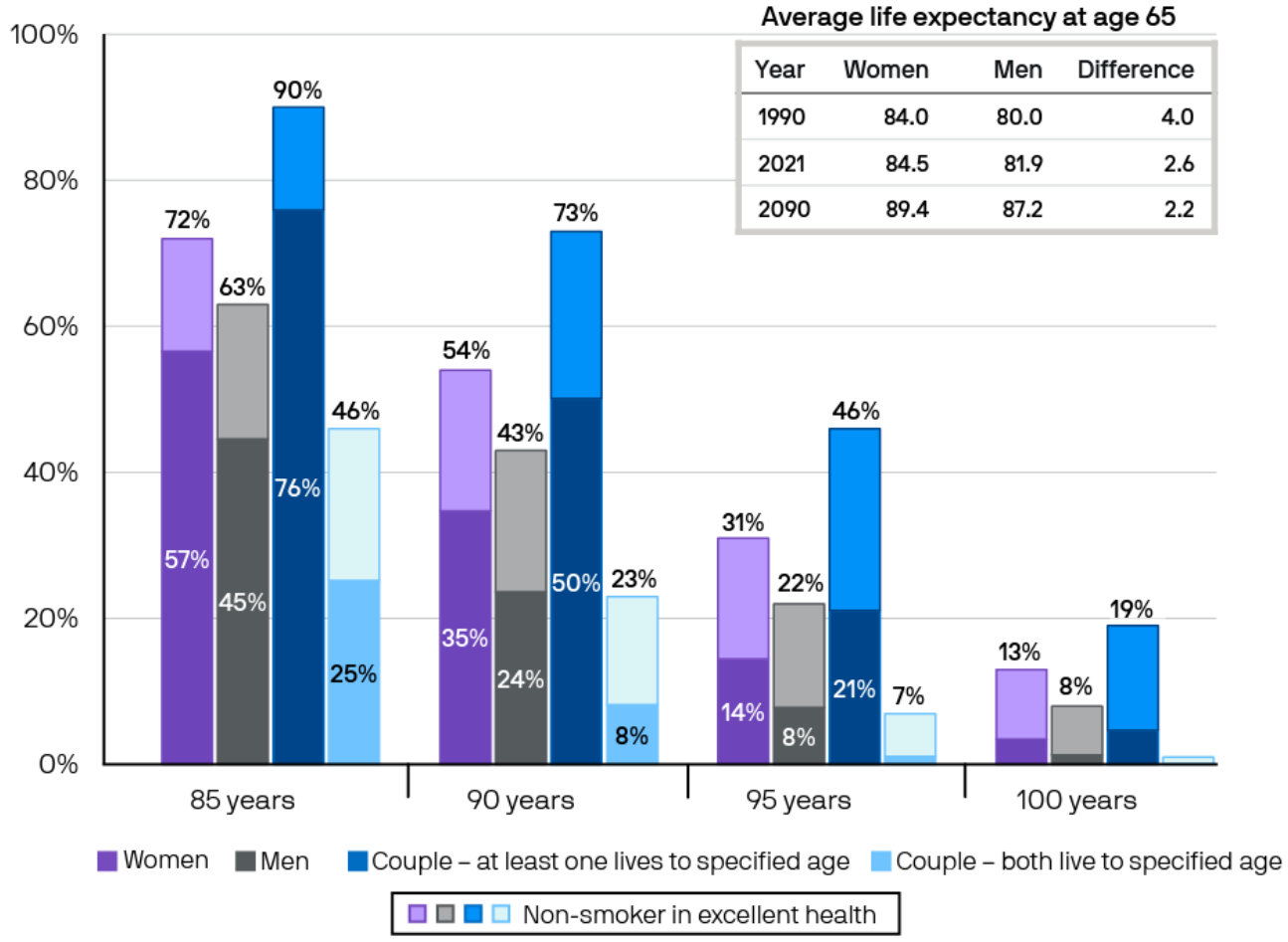
- How is your health?
- Is there an expectation of longevity?

**Spouse**

- Are you married?
- What is the age difference between spouses?
- Whose benefits can the spouse collect?

# Plan Accordingly

If you're age 65 today, the probability of living to a specific age or beyond

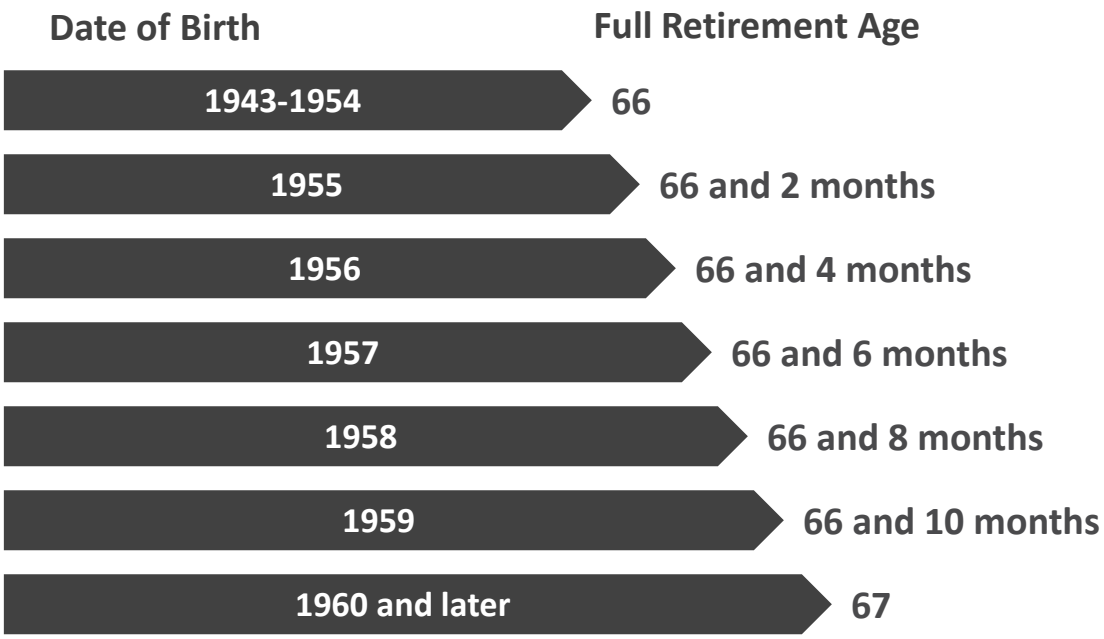



Average life expectancy at age 65

| Year | Women | Men | Difference |
|---|---|---|---|
| 1990 | 84.0 | 80.0 | 4.0 |
| 2021 | 84.5 | 81.9 | 2.6 |
| 2090 | 89.4 | 87.2 | 2.2 |

*Source: JP Morgan Guide to Retirement 2024.*

# Full Retirement Age



# Claiming Early/Late

| Age | FRA 66 | FRA 67 |
|---|---|---|
| 62 | 75% | 70% |
| 63 | 80% | 76% |
| 64 | 87% | 82% |
| 65 | 93% | 88% |
| **66** | **100%** | 94% |
| **67** | 108% | **100%** |
| 68 | 116% | 108% |
| 69 | 124% | 116% |
| 70 | 132% | 124% |

# Collecting Early, Continuing to Work

## 2026 Retirement Earnings Limit

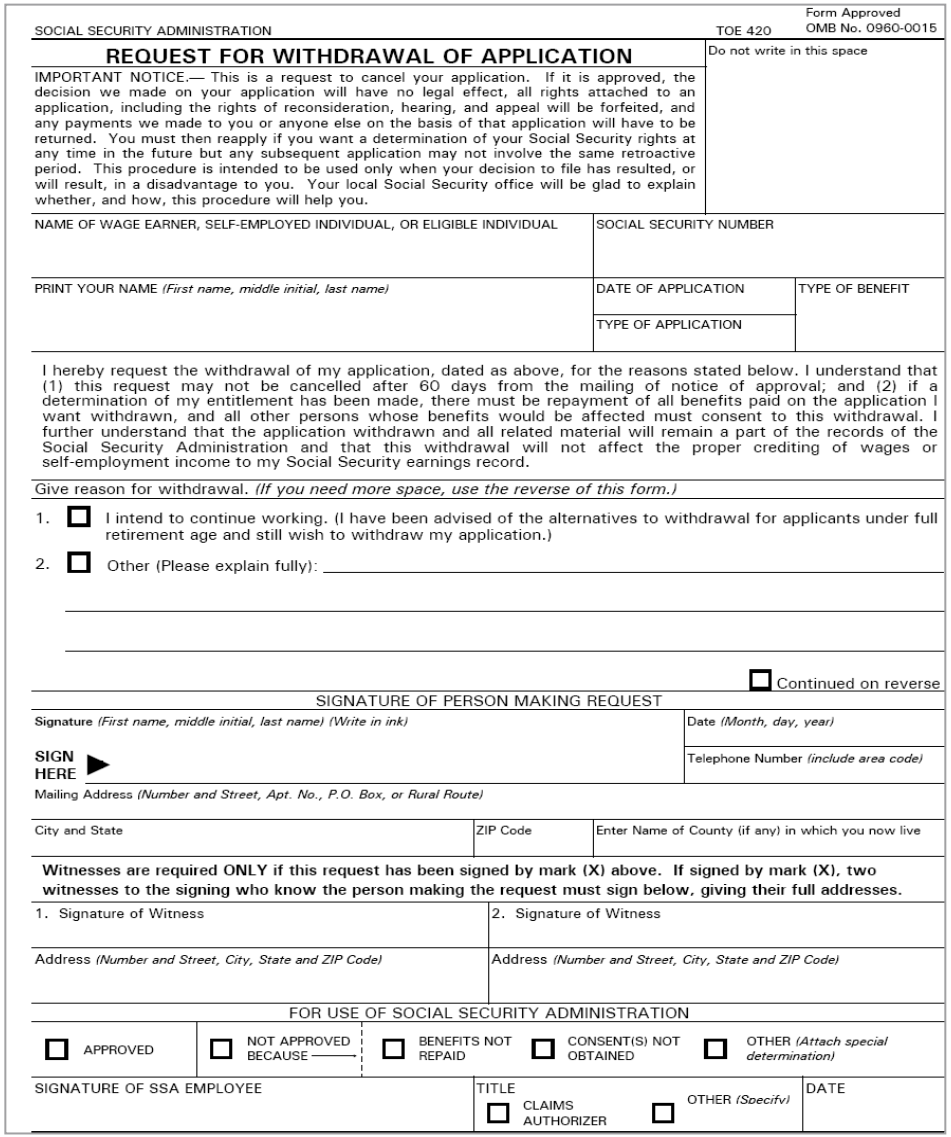
| Your Age | 2026 limit | What Happens Above the Limit |
|---|---|---|
| Under FRA | $24,480/year | $1 of benefits withheld per $2 of earnings above limit |
| Year reach FRA | $65,160/year | $1 of benefits withheld per $3 in earnings above limit<br>for months prior to reaching FRA |
| Month reach FRA and beyond | None | No Reduction |

**Applies to any retirement benefits collected before FRA.**
**Earnings limit looks at wages only.**

Source: https://www.ssa.gov/benefits/retirement/planner/whileworking.html

# Collecting Early Changing Your Mind

- You can apply to withdraw your filing application within 12 months of starting benefits.
- If approved, you are required to repay all benefits you and your family members have already received. You are limited to one withdrawal per lifetime.



SOCIAL SECURITY ADMINISTRATION — TOE 420 — Form Approved OMB No. 0960-0015

**REQUEST FOR WITHDRAWAL OF APPLICATION**

Do not write in this space

IMPORTANT NOTICE.— This is a request to cancel your application. If it is approved, the decision we made on your application will have no legal effect, all rights attached to an application, including the rights of reconsideration, hearing, and appeal will be forfeited, and any payments we made to you or anyone else on the basis of that application will have to be returned. You must then reapply if you want a determination of your Social Security rights at any time in the future but any subsequent application may not involve the same retroactive period. This procedure is intended to be used only when your decision to file has resulted, or will result, in a disadvantage to you. Your local Social Security office will be glad to explain whether, and how, this procedure will help you.

NAME OF WAGE EARNER, SELF-EMPLOYED INDIVIDUAL, OR ELIGIBLE INDIVIDUAL | SOCIAL SECURITY NUMBER

PRINT YOUR NAME *(First name, middle initial, last name)* | DATE OF APPLICATION | TYPE OF BENEFIT | TYPE OF APPLICATION

I hereby request the withdrawal of my application, dated as above, for the reasons stated below. I understand that (1) this request may not be cancelled after 60 days from the mailing of notice of approval; and (2) if a determination of my entitlement has been made, there must be repayment of all benefits paid on the application I want withdrawn, and all other persons whose benefits would be affected must consent to this withdrawal. I further understand that the application withdrawn and all related material will remain a part of the records of the Social Security Administration and that this withdrawal will not affect the proper crediting of wages or self-employment income to my Social Security earnings record.

Give reason for withdrawal. *(If you need more space, use the reverse of this form.)*

1. ☐ I intend to continue working. (I have been advised of the alternatives to withdrawal for applicants under full retirement age and still wish to withdraw my application.)
2. ☐ Other (Please explain fully): _____

☐ Continued on reverse

SIGNATURE OF PERSON MAKING REQUEST

**Signature** *(First name, middle initial, last name) (Write in ink)* | Date *(Month, day, year)*

**SIGN HERE** ▶ | Telephone Number *(include area code)*

Mailing Address *(Number and Street, Apt. No., P.O. Box, or Rural Route)*

City and State | ZIP Code | Enter Name of County (if any) in which you now live

**Witnesses are required ONLY if this request has been signed by mark (X) above. If signed by mark (X), two witnesses to the signing who know the person making the request must sign below, giving their full addresses.**

1. Signature of Witness | 2. Signature of Witness

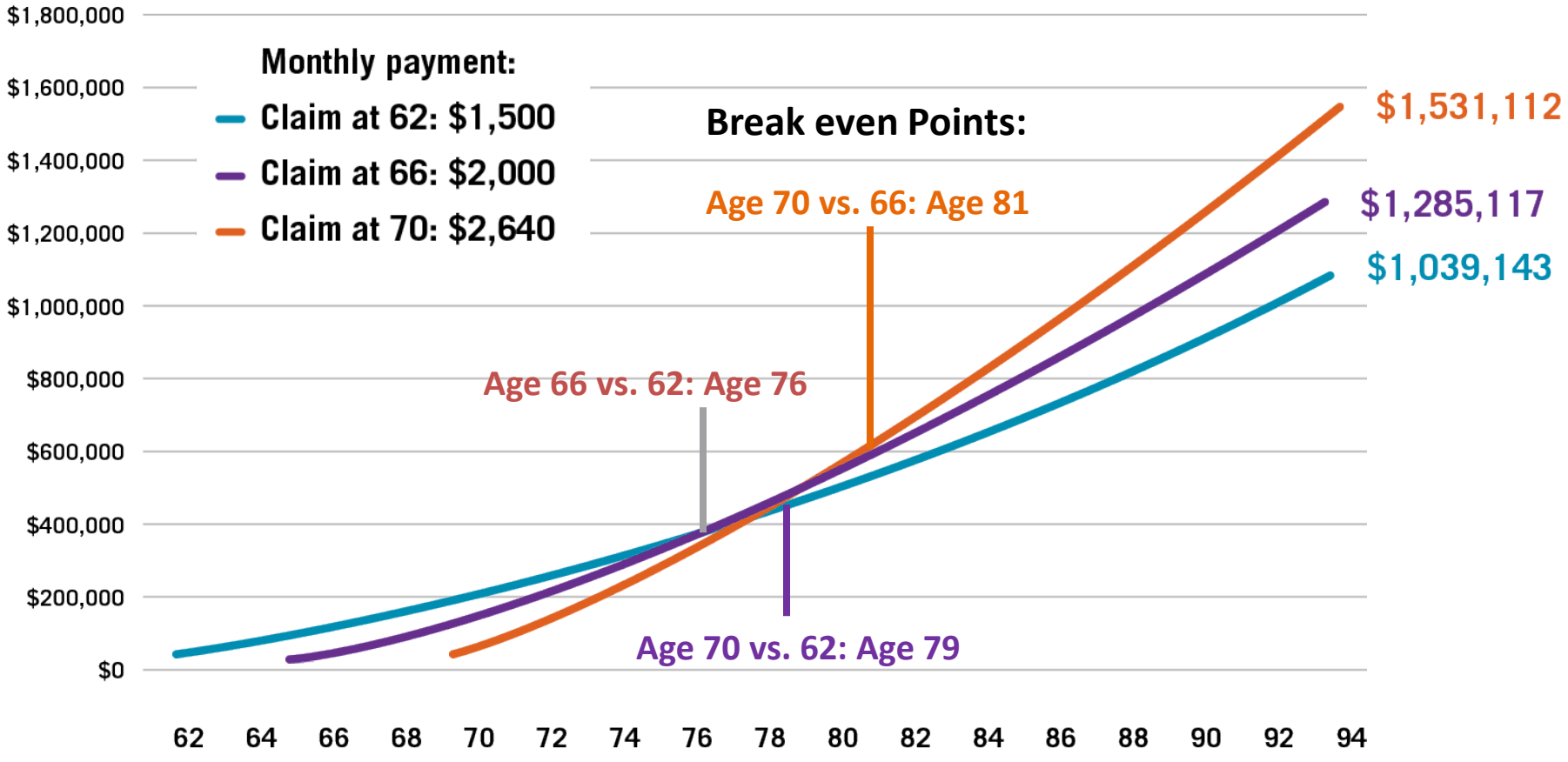
Address *(Number and Street, City, State and ZIP Code)* | Address *(Number and Street, City, State and ZIP Code)*

FOR USE OF SOCIAL SECURITY ADMINISTRATION

☐ APPROVED | ☐ NOT APPROVED BECAUSE → ☐ BENEFITS NOT REPAID ☐ CONSENT(S) NOT OBTAINED ☐ OTHER *(Attach special determination)*

SIGNATURE OF SSA EMPLOYEE | TITLE ☐ CLAIMS AUTHORIZER ☐ OTHER *(Specify)* | DATE

# Social Security Benefit Example




This is a hypothetical example for illustrative purposes only. This assumes a full retirement age benefit of $24,000 a year, an annual cost of living adjust of 3%, and the client living to age 95.

# Spousal Benefit

**Eligibility:**

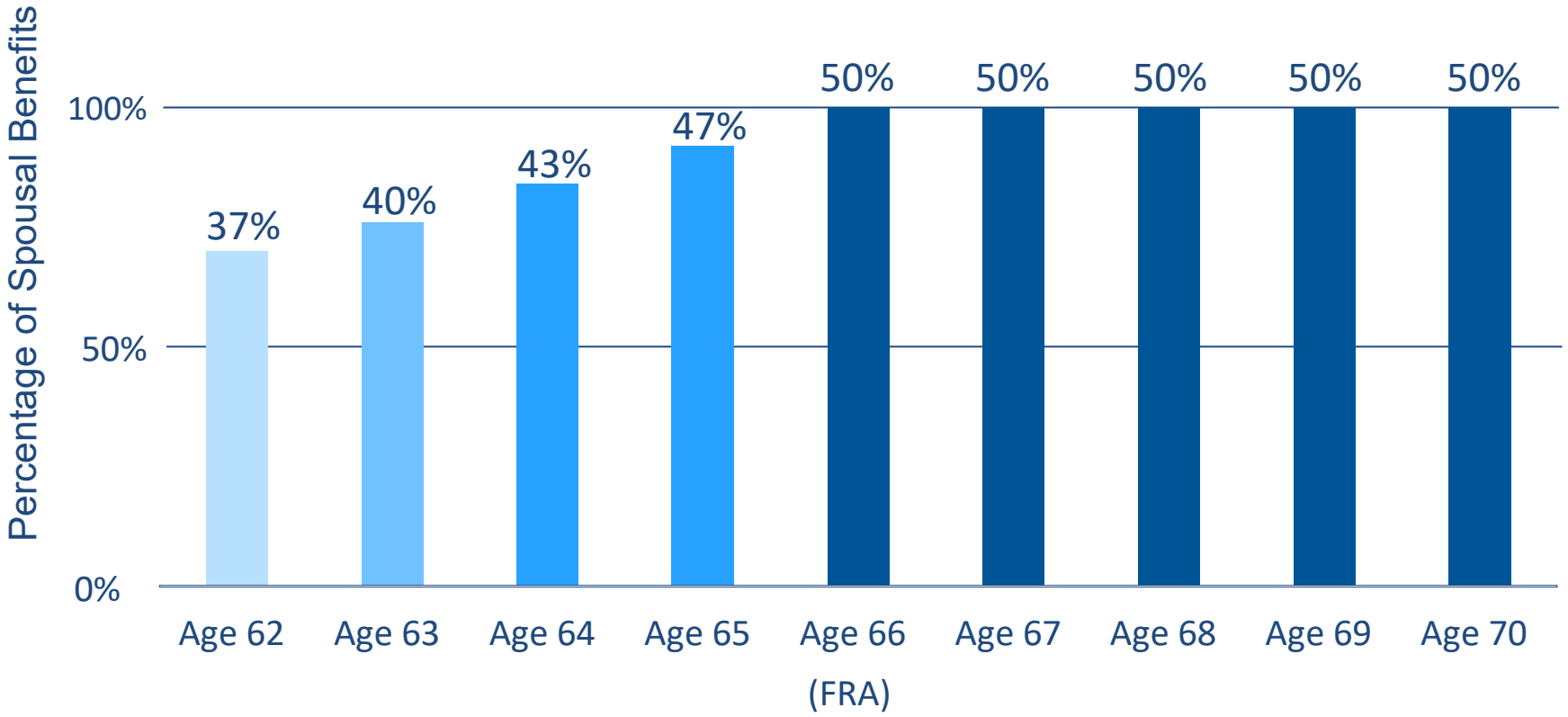
- At least age 62
- Married for at least one year
- One spouse must file for the other to claim benefits

**Benefits:**

- Up to 50% of spouse's PIA

Source: Social Security Administration (www.ssa.gov).

# Spousal Benefit – Maximum is 50% of Spouse's PIA




Source: Social Security Administration (www.ssa.gov).

# Surviving Spouse Benefit



**A surviving spouse can receive or step up to the benefit of the deceased spouse**

If survivor is full retirement age,

**100% of spouse's benefit**

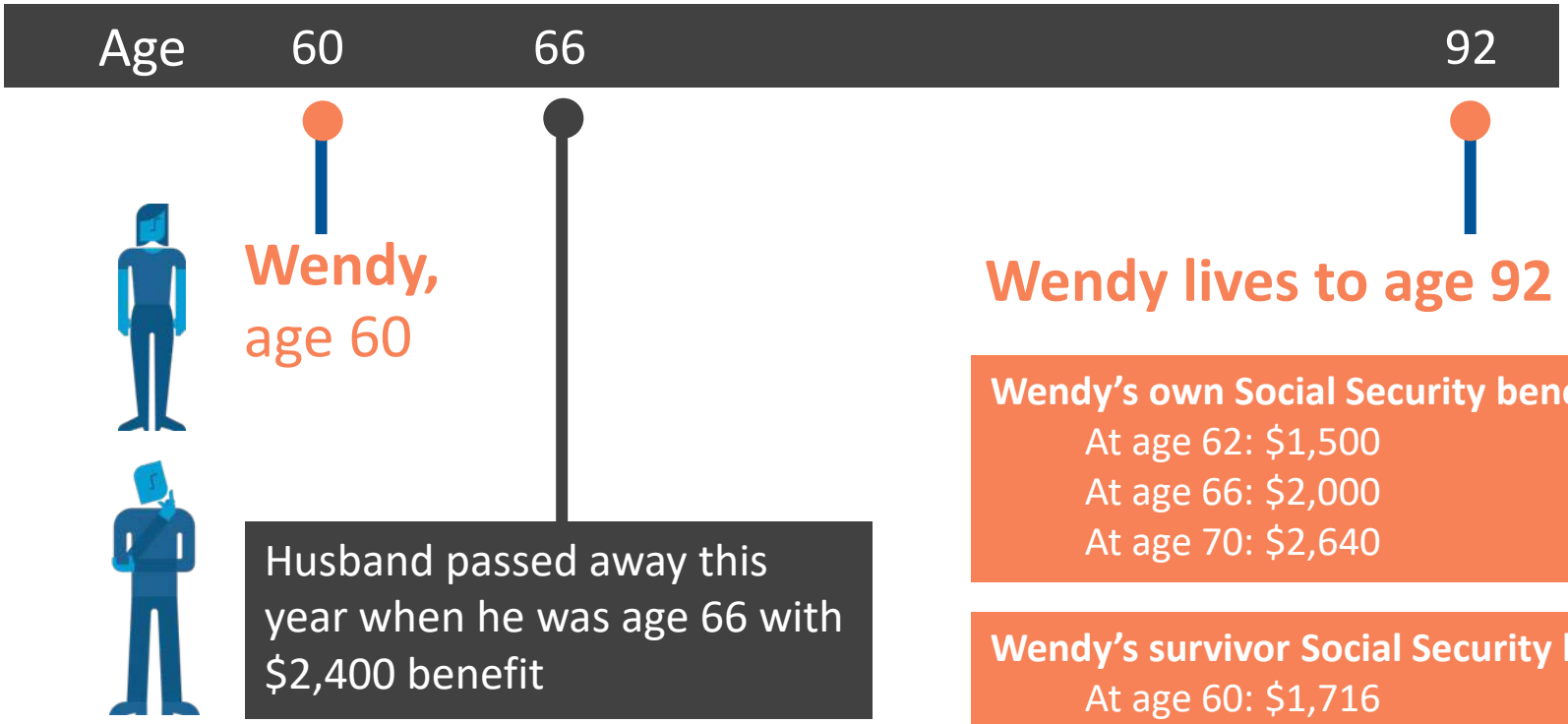
**Survivor can switch to his or her own benefits**

- Advantageous if greater when full retirement age is reached

**Survivor benefits generally begin at age 60**

- Survivor benefits are reduced if received before full retirement age – up to 28.5%
- Exceptions for widowers with children who are under 16

# Surviving Spouse Benefit Example



# Divorced Spouse

## Spousal Benefits

- Married to ex-spouse for 10+ years
- Unmarried
- Both are at least age 62
- Divorced for at least 2 years*

## Survivor Benefits

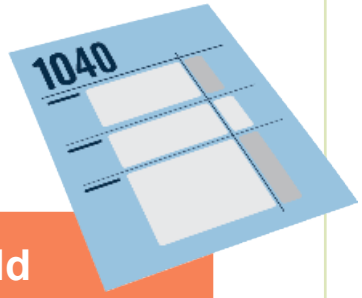
- Married to ex-spouse for 10+ years
- Unmarried or married after age 60
- At least age 60

*2 years does not apply if the individual was eligible for spousal benefits at the time of divorce.

Source: Social Security Administration (www.ssa.gov).

# Social Security Taxes

## Taxation of benefits depends on your provisional income*:




### Single or Head of Household

- $25,000 = SS not taxable
- $25,000 - $34,000 = up to 50% taxable
- Above $34,000 = up to 85% taxable

### Married Filing Jointly

- $32,000 = SS not taxable
- $32,000 - $44,000 = up to 50% taxable
- Above $44,000 = up to 85% taxable

### Provisional income includes**:

- ½ Social Security benefits
- Income from municipal bonds
- Wages
- Business income
- Interest
- Capital gains
- Dividends
- Traditional IRA distributions
- Rental income

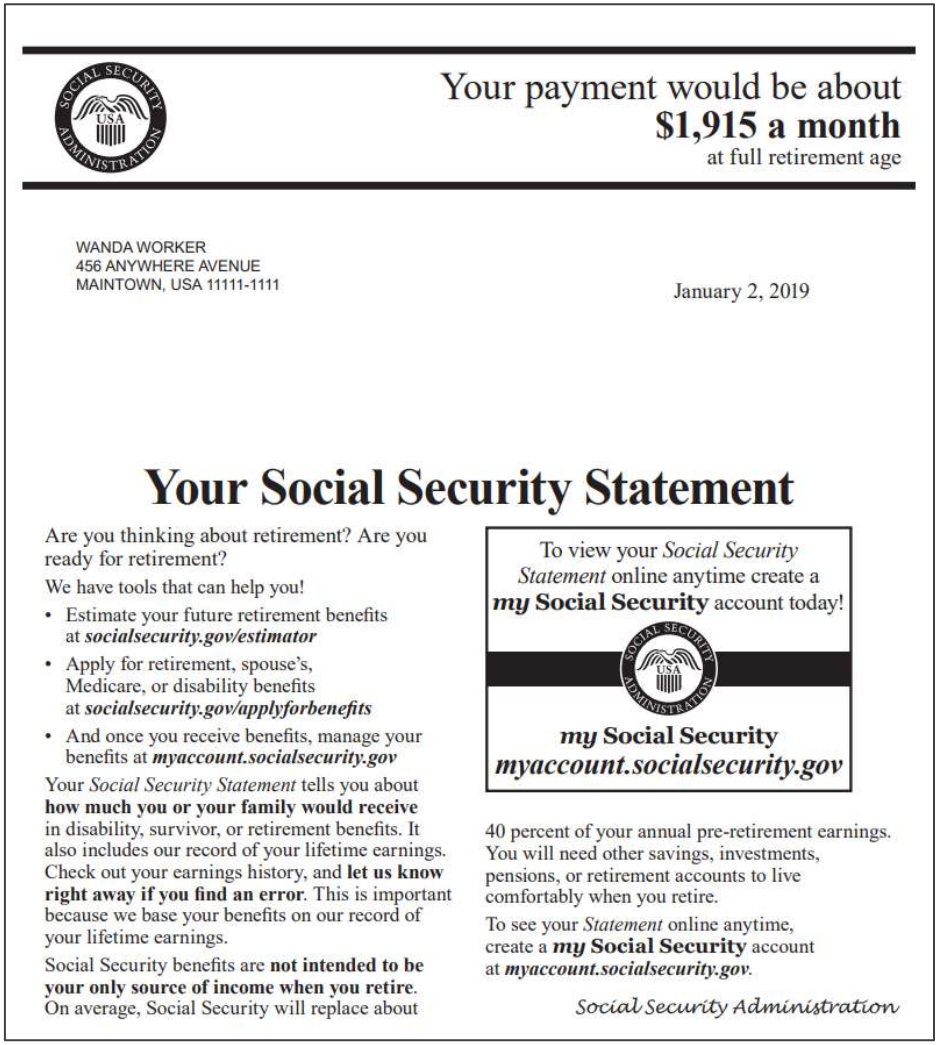
### Provisional income does not include:

- Tax-deferred build-up inside IRAs, 401(k)s and annuities
- Income from Roth IRAs
- Non-taxable income from life insurance

Source: https://www.ssa.gov/benefits/retirement/planner/taxes.html

# Social Security Statement Example

You can find your Social Security amount by getting a statement at:
**www.ssa.gov/myaccount**



Your payment would be about
**$1,915 a month**
at full retirement age

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

January 2, 2019

## Your Social Security Statement

Are you thinking about retirement? Are you ready for retirement?

We have tools that can help you!

- Estimate your future retirement benefits at ***socialsecurity.gov/estimator***
- Apply for retirement, spouse's, Medicare, or disability benefits at ***socialsecurity.gov/applyforbenefits***
- And once you receive benefits, manage your benefits at ***myaccount.socialsecurity.gov***

Your *Social Security Statement* tells you about **how much you or your family would receive** in disability, survivor, or retirement benefits. It also includes our record of your lifetime earnings. Check out your earnings history, and **let us know right away if you find an error**. This is important because we base your benefits on our record of your lifetime earnings.

Social Security benefits are **not intended to be your only source of income when you retire**. On average, Social Security will replace about 40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire.

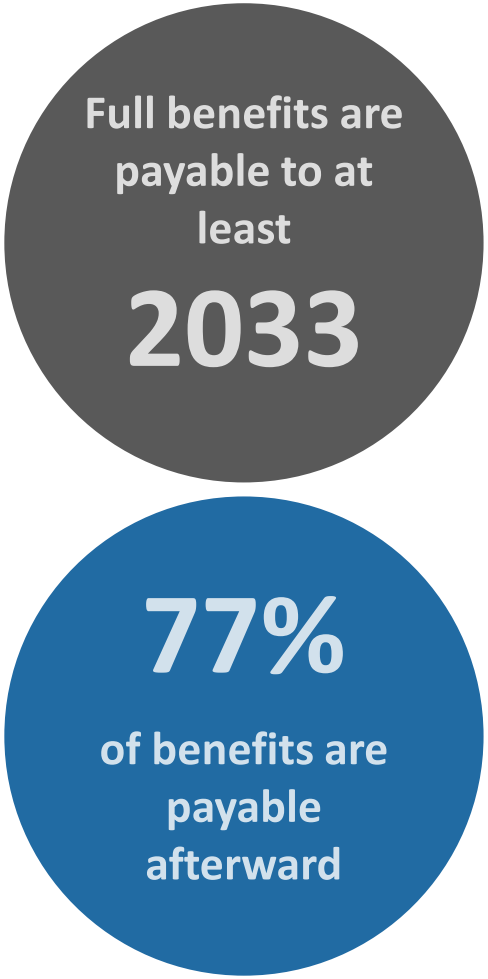
To view your *Social Security Statement* online anytime create a ***my* Social Security** account today!

***my* Social Security**
***myaccount.socialsecurity.gov***

To see your *Statement* online anytime, create a ***my* Social Security** account at ***myaccount.socialsecurity.gov***.

*Social Security Administration*

# Will Social Security by Funded?




**Potential Legislation Changes:**

- Link cost-of-living increases to different inflation indexes to decrease benefits
- Increase full retirement age beyond 67 for younger generations
- Increase or eliminate wage cap for payroll taxes ($184,500 for 2026)
- Increase payroll tax (12.4% split between workers and employers as of 2026)

Source: https://www.ssa.gov/oact/trsum/

# Questions?



## CONTACT US

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November 19 10 AM EST

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