

MAXIMIZING SOCIAL SECURITY IN TODAY'S WORLD



SOCIAL SECURITY 2021

About 65 million Americans received a total of over one trillion dollars in Social Security payments in 2020.¹ Many Americans rely primarily on Social Security in retirement, and even if you don't, you still want to know how to claim your maximum benefit. Although you will most likely not be able to maintain your current lifestyle on a Social Security benefit alone, it can make up a significant portion of your income and is guaranteed for as long as you live. Despite its importance, only 4% of retirees claim Social Security benefits at the optimal time, losing out on an average of \$111,000 per household, according to a recent study.²

The Future of Social Security

After a recent publication of a report on Social Security's financial condition, many are worried about the program's solvency. The Social Security trust fund was expected to be depleted by 2035 before the COVID-19 pandemic, but due to a decrease in payroll tax revenue, it could be depleted as soon as 2031. At that point, payroll taxes could still cover about 75% of scheduled benefits.³

While these facts might seem to pose an existential threat to the program, that is not quite the case: As long as people work, Social Security will have a source of funding. And, it's very unlikely that Washington will ever scrap Social Security entirely, since so many retired Americans rely on it. However, lawmakers might very well reduce benefits and/or increase taxes in the future. We could see several changes during the Biden presidency, in term of how the program is funded and how much it pays out to current beneficiaries.

This means that having a plan for maximizing your benefit is essential. Benefits are designed to replace about 40% of income⁴, but this percentage can be higher or lower depending on your earnings history, income needs, and success in maximizing benefits. There are many ways to claim and the right strategy depends on the individual. In this guide, we'll cover what you should know in order to help maximize your benefit, and how Social Security has changed for 2021.

¹<https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

²<https://unitedincome.capitalone.com/library/the-retirement-solution-hiding-in-plain-sight/>

³<https://www.aarp.org/retirement/social-security/info-2020/benefits-trust-fund-runs-out-by-2031.html>

⁴<https://www.ssa.gov/benefits/retirement/learn.html>



Your Benefit and Inflation

Social Security beneficiaries saw a relatively high cost-of-living adjustment (COLA) of 2.8% in 2019. In 2021, they will see a 1.3% increase.⁵

Even though inflation is low right now, the cumulative effect of inflation has eroded the buying power of Social Security by a third since 2000 according to the Senior Citizens League. This is largely because benefit increases have not kept up with the increasing cost of prescription drugs, food, and housing. Expenses for Social Security beneficiaries have risen twice as fast as the yearly cost-of-living adjustment (COLA) since 2000, despite relatively low inflation rates. And in some years, the COLA adjustment has been as low as 0.3% for 2016, and even 0% for 2015. Just as you should consider the long term effects of inflation on your Social Security benefit, you should consider its effects on your other sources of retirement income and savings.

January 2003 — 1.4%

January 2004 — 2.1%

January 2005 — 2.7%

January 2006 — 4.1%

January 2007 — 3.3%

January 2008 — 2.3%

January 2009 — 5.8%

January 2010 — 0.0%

January 2011 — 0.0%

January 2012 — 3.6%

January 2013 — 1.7%

January 2014 — 1.5%

January 2015 — 1.7%

January 2016 — 0.0%

January 2017 — 0.3%

January 2018 — 2.0%

January 2019 — 2.8%

January 2020 — 1.6%

January 2021 — 1.3%

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⁵<https://seniorsleague.org/social-security-benefits-lose-33-of-buying-power/>

⁶<https://www.ssa.gov/oact/cola/colaseries.html>

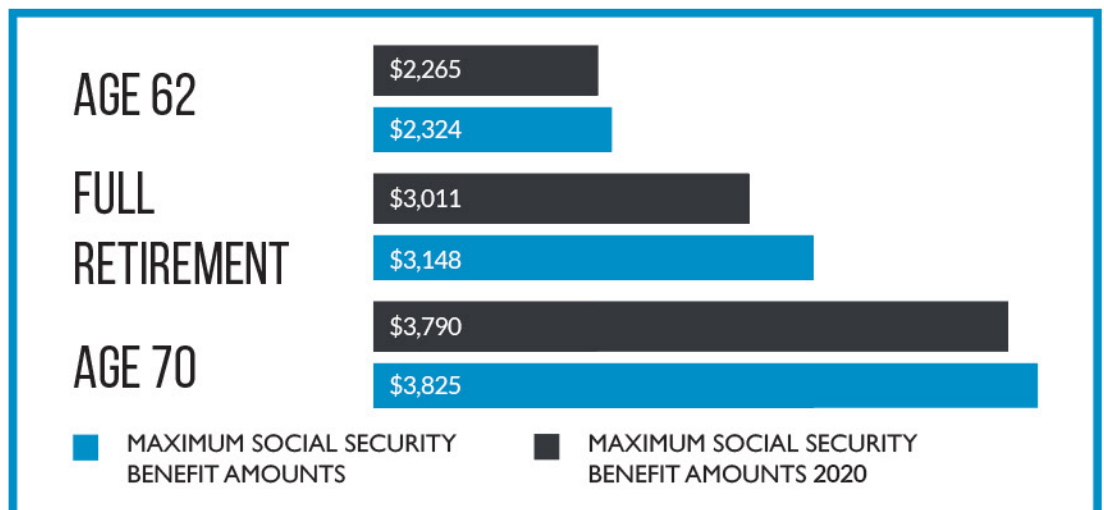
SOCIAL SECURITY 2021



Maximum taxable earnings will increase to \$142,800

In 2020, employees were required to pay a 6.2% Social Security tax (with their employer paying an additional 6.2% on their behalf) on income up to \$137,700.⁷ Any earnings above that amount were not subject to the tax. In 2021, the tax rate will remain the same, but the cap will increase to \$142,800.⁸

As the taxable maximum increases, so does the maximum amount of earnings. In 2021, the maximum monthly benefit for retirees who claim at their full retirement age is \$3,148.⁹ The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by 8% per year you defer until age 70 for beneficiaries born in 1943 or after.¹⁰



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⁷https://www.ssa.gov/policy/docs/quickfacts/prog_highlights/RatesLimits2020.html

⁸<https://www.ssa.gov/cola/>

⁹<https://www.ssa.gov/news/press/factsheets/colafacts2021.pdf>

¹⁰<https://www.ssa.gov/benefits/retirement/planner/delayret.html>

¹¹<https://www.ssa.gov/news/press/factsheets/colafacts2021.pdf>



What's Your Full Retirement Age?

Although you can claim Social Security as early as age 62, this is not anyone's full retirement age (FRA). Full retirement age is set to increase in two month increments until it is 67 for all new beneficiaries. For those who turned 62 in 2020, the full retirement age was 66 and eight months. In 2021, the full retirement age for Americans turning 62 increases to 66 years and 10 months.¹² Use the Social Security Retirement Age Calculator or the chart below.

Use the [Social Security Retirement Age Calculator](#) or the chart below.

Year of Birth *	Full Retirement Age
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 - 1954	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 and later	67

* If you were born on January 1st of any year, you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.)

¹²<https://www.ssa.gov/benefits/retirement/planner/agereduction.html>



Note This Change

Over time, the Social Security Administration has slowly stopped mailing out most Americans' Social Security benefit statements and instead encourages people to access their statements online. Be aware that only those 60 and over who have not claimed their benefits and did not set up an online account will still receive a statement by mail.

The research shows that when these statements are only available online and are not mailed, beneficiaries are less likely to make optimal decisions when claiming their benefits. And from 2012 to 2018 the number of people who reviewed their online statement dropped from 96% to 43%.¹³

MAKE SURE YOUR WORK COUNTS.



It's important to check your earnings statement regularly to make sure you are getting credit for the taxes you're paying into the system. To make an online account, either look for a letter with an activation code or go onto the Social Security administration's website and use a valid email address to create a [My Social Security Account](#). This way you can check that your earnings history and Social Security taxes paid have been recorded.

¹³<https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-03-18-50724.pdf>



Are You Planning To Work In Retirement?

In a recent study, 72% of Americans said they plan to do some kind of paid work in retirement.¹⁴ And while there are good reasons to work in retirement, earning extra income while receiving Social Security could mean a reduction in monthly benefits.

Social Security beneficiaries under their full retirement age who earn more than \$18,960 in 2021 will have \$1 withheld for every \$2 they earn above this limit. This earnings limit jumps to \$50,520 in the year recipients reach their full retirement age. Once recipients reach their full retirement age, there is no income limit on earnings. Earnings are defined as the wages you make from your job, including any bonuses, commissions, and vacation pay, or your net earnings if you're self-employed.¹⁵

¹⁴<https://www.prnewswire.com/news-releases/72-of-americans-now-plan-to-work-in-retirement-a-new-high-according-to-july-simplywise-retirement-confidence-index-301093143.html>

¹⁵<https://www.ssa.gov/cola/>



Work Credit Earnings Rise

The earnings required for one work credit rises slightly from \$1,410 to \$1,470 per quarter for 2021. These credits are the “building blocks” the Social Security Administration uses to calculate whether you qualify for benefits and the amount you’re entitled to. In most cases, to qualify for benefits you’ll need a minimum of 40 credits.¹⁶

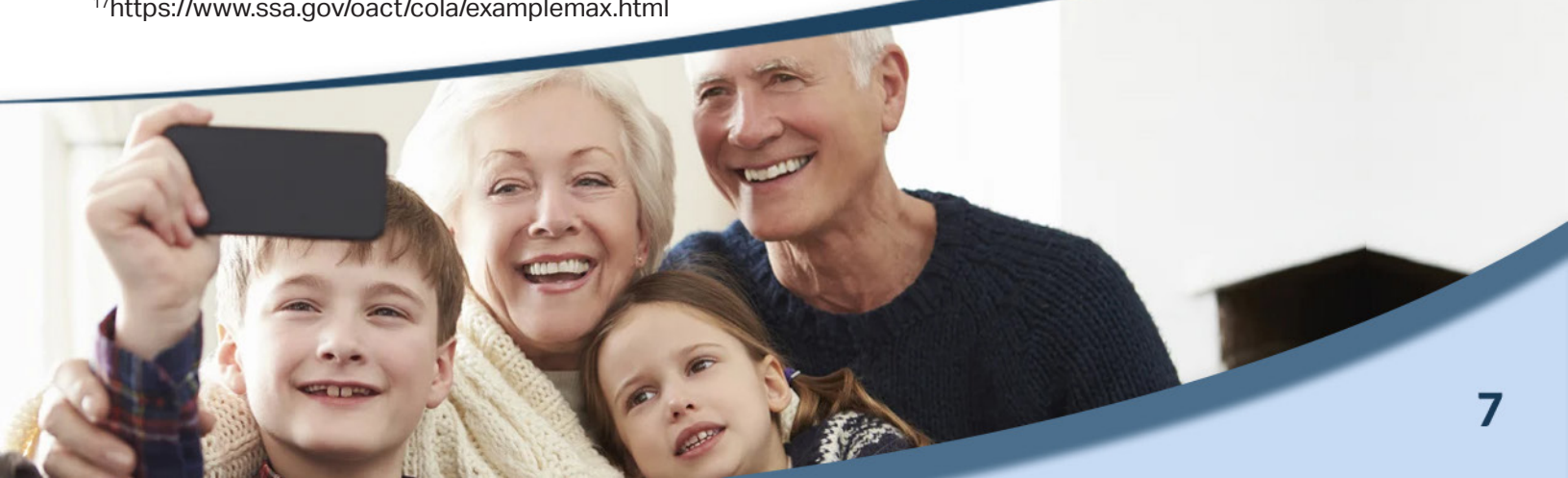
Go for the Maximum Benefit!

If you earned more than the Social Security taxable wage limit for 35 years, then you may be eligible for the highest possible benefit. New retirees claiming in 2021 at FRA can now receive a maximum monthly benefit of \$3,148. In comparison, the maximum monthly benefit you can receive claiming at age 62 is \$2,324 in 2021.¹⁷



¹⁶<https://www.aarp.org/retirement/social-security/info-2020/biggest-social-security-changes-for-2021.html#:~:text=One%20work%20credit%20is%20the,you%20earn%20at%20least%20%245%2C880.>

¹⁷<https://www.ssa.gov/oact/cola/examplemax.html>



DID YOU KNOW?

Retirees will lose out on an average of \$111,000 per household because they don't claim Social Security at the optimal time?¹⁸
Compute the effect of early or delayed retirement by using the
Early or Late Retirement Calculator:

https://www.ssa.gov/oact/quickcalc/early_late.html

¹⁸<https://www.ssa.gov/oact/cola/examplemax.html>

¹⁹<https://unitedincome.capitalone.com/library/the-retirement-solution-hiding-in-plain-sight/>



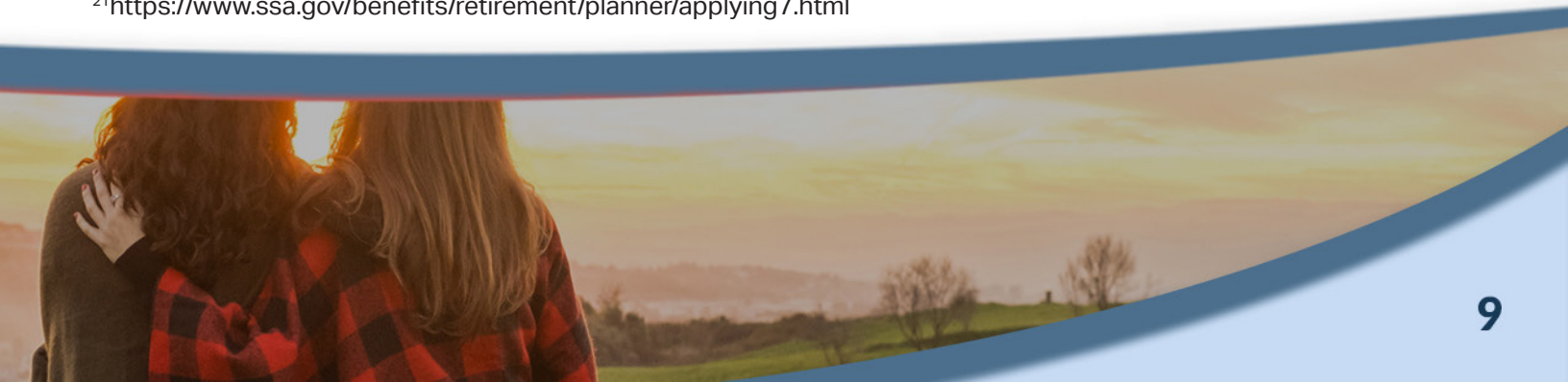
Are You Divorced? Re-married? Widowed?

Are You Divorced? Re-married? Widowed? Even if you don't qualify for your own Social Security benefit, you could qualify for a spousal benefit. If you have reached your full retirement age and have been married for at least one year, you can claim a Social Security spousal benefit worth up to 50% of your spouse's benefit. You will receive less than 50% of your spouse's benefit if you claim spousal benefits at your full retirement age, but you will not receive more than 50% by waiting past your full retirement age to claim.²⁰

"What if I'm divorced?" you might ask. If you were married for at least 10 consecutive years, have been divorced for at least two years, and are not remarried, you can still claim a spousal benefit worth half of your ex-spouse's benefit after you turn your full retirement age. If your spouse is remarried, it will not affect your spousal benefit.²¹

²⁰<https://www.ssa.gov/benefits/retirement/planner/applying7.html>

²¹<https://www.ssa.gov/benefits/retirement/planner/applying7.html>





Social Security disability payments will increase.

Social Security disability payments will increase. About 10 million Americans qualify for Social Security disability payments, and these have increased slightly for 2021. The legally blind can receive a maximum of \$2,190 a month, up from \$2,110 last year. For the non-blind, the maximum benefit will increase to \$1,310.²²



²²<https://www.ssa.gov/news/press/factsheets/colafacts2021.pdf>

LET'S REVIEW YOUR UNIQUE OPTIONS AND STRATEGIES

Regardless of changes, your ultimate goal should focus on receiving the largest benefit for the longest amount of time possible. There are countless factors that go into the “when” and “how” to claim your Social Security, and all of those factors relate back to your individual situation. We invite you to come into our offices to go over your options and see if we can find a strategy that works for you.

**Click to Request Your Complimentary,
Social Security Optimization Review!**

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This [material] is not approved, produced, or endorsed by the U.S. Government. For a complete list of the 2020 Social Security Law Changes, see the Fact Sheet from the Social Security Administration at <https://www.ssa.gov/news/press/factsheets/colafacts2020.pdf>