

Social Security Highlights




How to Read a Social Security Statement



William F. Rainaldi, CFP®
Regional Vice President
607-760-3315
wrainald@smlny.com

As we've said time and time again, no matter what, you can't do any proper retirement planning without your current Social Security statement. If you have it, the planning process is much easier. Without it, it's difficult to properly plan.

There's good news and bad news on this front. The good news is that the Social Security Administration (SSA) recently revised the format of the statement. It is easier to read and understand than it ever was before. The bad news is that it was never all that easy to understand. So let's take a quick tour of a sample statement to see where we need to look.

 Your payment would be about **\$3,054 a month** at full retirement age

The most prominent figure, right up front, is your Primary Insurance Amount (PIA). This is the amount you can expect on a monthly basis if you begin collecting at Full Retirement Age.

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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 using our retirement estimator
- Apply for retirement, spouse's, Medicare, or disability benefits using our *Online Applications*
- And once you receive benefits you can manage your benefits within *my Social Security*

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.

Social Security Administration

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Notice where it says, "Social Security benefits are not intended to be your only source of income when you retire." It seems that too many people forget this.

Here are some quick thoughts on page 2. Note that the math doesn't quite come out as predicted. For example, in this case, the Full Retirement Age benefit is \$3,054 at age 67. The rules say that the benefit goes up by 8% per year if you wait. So the age 70 benefit, three years later, should be 124% (note that the 8% is NOT compounded). That would be \$3,787. Yet the statement yields a slightly different figure of \$3,798. Why is it different?

The answer has to do with the assumptions the SSA uses. The SSA assumes that if you don't collect, you will continue working, and continue making the same amount of money. Thus, they assume your PIA will go up every year you continue to work, and your resulting benefit will actually be more than 124% higher. That may or may not be true. And another important—but entirely different—question revolves around whether the benefit increase is actually worth the increased payroll taxes required to get it.

Also note the section in bold toward the middle of the page highlighted in green. This will be a source of concern for anyone who carefully reads the statement.

"Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2034, the payroll taxes collected will be enough to pay only about 79 percent of scheduled benefits."

This shows the estimated benefit at FRA, age 62 and age 70.

Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings, you continue working until...	
	your full retirement age (67 years), your payment would be about.....	\$ 3,054 a month
	age 70, your payment would be about.....	\$ 3,798 a month
	age 62, your payment would be about.....	\$ 2,139 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now your payment would be about.....	\$ 3,033 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:	
	Your child.....	\$ 2,278 a month
	Your spouse who is caring for your child.....	\$ 2,278 a month
	Your spouse, if benefits start at full retirement age.....	\$ 3,037 a month
	Total family benefits cannot be more than.....	\$ 5,314 a month
Medicare	Your spouse or minor child may be eligible for a special one-time death benefit of \$255. You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	

* Your estimated benefits are based on current law. Congress has made changes in the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2034, the payroll taxes collected will be enough to pay only about 79 percent of scheduled benefits.

How Your Benefits Are Estimated

To qualify for benefits, you earn "credits" through your work — up to four each year. This year, for example, you earn one credit for each \$1,360 of wages or self-employment income. When you've earned \$5,440, you've earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven't earned enough yet to qualify for any type of benefit, we can't give you a benefit estimate now. If you continue to work, we'll give you an estimate when you do qualify.

What we assumed — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2019 and later (up to retirement age), we assumed you'll continue to work and make about the same as you did in 2017 or 2018. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator to obtain immediate and personalized benefit estimates.

We can't provide your actual benefit amount until you've reached retirement age. And that amount may differ from what we've estimated because:

- (1) Your earnings may increase.
- (2) After you start receiving benefits, your benefit will be adjusted for cost-of-living changes.

- (3) Your estimated benefits are based on current law. The law governing benefit amounts may change.
- (4) Your benefit amount may be affected by military service, railroad employment or pensions earned through work on which you did not pay Social Security tax. Visit www.socialsecurity.gov to learn more.

Windfall Elimination Provision (WEP) — If you receive a pension from employment in which you did not pay Social Security taxes and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. To estimate WEP's effect on your Social Security benefit, visit www.socialsecurity.gov/WEP-CHART. For workers newly eligible in 2019, the maximum monthly reduction in PIA is \$463. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at www.socialsecurity.gov/WEP.

Government Pension Offset (GPO) — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse's record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at www.socialsecurity.gov/GPO.

These two paragraphs cover the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These two things don't affect many people. But for former government employees with government pension benefits who are covered under these provisions, the benefits above may be overstated.

[CMX]

Essentially this is a warning that the benefit will be cut by 21% in another 15 years in the event nothing is done between now and then.

You need to review page 3 carefully. If you see several years in a row of zeroes here, you need to ask your advisor about it. There is a good chance that you may be subject to the WEP and/or GPO provisions described on the previous page of the statement.

Also, notice what happens with the earnings history beginning in 1991. Up until that point, the Social Security and Medicare earnings are equal. After that point, in most years, the Medicare earnings are higher. That's because starting that year, there was no longer a "cap" on Medicare earnings. In 2019, the Social Security withholding is 6.2% of wages up to \$132,900. The Medicare is 1.45% with no limit.

Note that the person in this example appears to have had earnings in excess of the Social Security maximum most years since 1992, as you can see, in 2014 the Social Security and Medicare numbers were the same. Thus, he or she didn't reach the maximum threshold in that year. The individual also appears to have at least 35 years of earnings. This is important; the benefit is calculated using the highest 35 years. Less than 35 years means that zeroes will be part of the average.

There's one fascinating new feature on this page. As you can see from the middle of the page, the client and employer have paid a total of over \$344,000 in Social Security taxes over the years, plus Medicare. This could serve as a reminder to clients that they've paid a lot of money into the system, and they owe it to themselves to make sure they get everything they're entitled to.

Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings	Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1977	1,915	1,915	2008	101,999	287,007
1978	105	105	2009	106,800	200,897
1979	2,132	2,132	2010	106,800	191,860
1980	1,825	1,825	2011	106,800	168,769
1981	2,102	2,102	2012	110,100	142,514
1982	3,447	3,447	2013	113,700	120,323
1983	19,428	19,428	2014	105,910	105,910
1984	37,799	37,799	2015	118,499	122,169
1985	39,600	39,600	2016	118,500	133,724
1986	42,000	42,000	2017	127,200	133,823
1987	43,800	43,800	2018	128,399	128,764
1988	37,807	37,807			
1989	48,000	48,000			
1990	51,300	51,300			
1991	53,399	62,293			
1992	55,500	91,134			
1993	57,600	115,254			
1994	60,600	134,749			
1995	61,199	139,948			
1996	62,699	114,932			
1997	65,400	156,562			
1998	68,400	297,590			
1999	72,600	302,900			
2000	76,200	283,760			
2001	80,400	218,656			
2002	84,900	199,301			
2003	87,000	166,848			
2004	87,900	244,387			
2005	90,000	298,859			
2006	94,200	341,035			
2007	97,500	258,977			

Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:

You paid:

\$169,875

Your employers paid:

\$174,486

Estimated taxes paid for Medicare:

You paid:

\$79,199

Your employers paid:

\$79,199

Note: Currently, you and your employer each pay a 6.2 percent Social Security tax on up to \$132,900 of your earnings and a 1.45 percent Medicare tax on all your earnings. If you are self-employed, you pay the combined employee and employer amount, which is a 12.4 percent Social Security tax on up to \$132,900 of your net earnings and a 2.9 percent Medicare tax on your entire net earnings. If you have earned income of more than \$200,000 (\$250,000 for married couples filing jointly), you must pay 0.9 percent more in Medicare taxes.

Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

Review this chart carefully using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from last year may not be shown on your *Statement*. It could be that we still were processing last

year's earnings reports when your *Statement* was prepared. Note: If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

There's a limit on the amount of earnings on which you pay Social Security taxes each year. The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, all of your earnings are taxed for Medicare.)

Call us right away at 1-800-772-1213 (7 a.m.-7 p.m. your local time, TTY 1-800-325-0778) if any earnings for years before last year are shown incorrectly. Please have your W-2 or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

Page 4 provides additional resources and mentions Medicare. Remember that Medicare Part B premiums are often deducted from your Social Security benefit.

Contact Bill Rainaldi with your Social Security questions at 607-760-3315.



To learn about your Social Security options, contact your Security Mutual Life insurance agent. Using the Security Mutual Life Social Security Evaluator, your agent can provide you with an easy-to-understand illustration showing your various options, and then help you evaluate those options based on your personal financial needs and goals.

Some Facts About Social Security

About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, drugs, and other medical services and supplies to people age 65 and older, as well as to people who have been receiving Social Security disability benefits for two years or more. Your Social Security covered earnings qualify you for both programs. Medicare does not pay for long-term care, so you may want to consider options for private insurance. For more information about Medicare, visit www.medicare.gov or call 1-800-633-4227 (TTY 1-877-486-2048 if you are deaf or hard of hearing).

Retirement — If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

Disability — If you become disabled before full retirement age, you can receive disability benefits after six months if you have:

- enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

If you are filing for disability benefits, please let us know if you are on active military duty or are a recently discharged veteran, so that we can handle your claim more quickly.

Family — If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

Survivors — When you die, certain members of your family may be eligible for benefits:

- your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
- your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

If you need more information — Contact any Social Security office, or call us toll-free at 1-800-772-1213. (If you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778.) If you have questions about your personal information, you must provide your complete Social Security Number. If you are in the United States, you also may write to the Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you are outside the United States, please write to the Office of International Operations, P.O. Box 17769, Baltimore, MD 21235-7769, USA.

Form SSA-7005 - OL (05/19)

Extra Help with Medicare — If you know someone who is on Medicare and has limited income and resources, extra help is available for prescription drug costs. The extra help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit www.socialsecurity.gov or call 1-800-772-1213 (TTY 1-800-325-0778).

Receive benefits and still work...

You can work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. When you apply for benefits, we'll tell you what the limits are and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

Before you decide to retire...

Carefully consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your monthly benefits will be reduced.

To help you decide the best time to retire, we offer a free publication, *When To Start Receiving Retirement Benefits* (Publication No. 05-10147), that identifies the many factors you should consider before applying. Most people can receive an estimate of their benefit based on their actual Social Security earnings record by using our online Retirement Estimator. You also can calculate future retirement benefits by using the Social Security Benefit Calculators at www.socialsecurity.gov.

Other helpful free publications include:

- *Retirement Benefits* (No. 05-10035)
- *Understanding The Benefits* (No. 05-10024)
- *Your Retirement Benefit: How It Is Figured* (No. 05-10070)
- *Windfall Elimination Provision* (No. 05-10045)
- *Government Pension Offset* (No. 05-10007)
- *Identity Theft And Your Social Security Number* (No. 05-10064)

We also have other leaflets and fact sheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at our website, www.socialsecurity.gov, or by calling us at 1-800-772-1213. Our website has a list of frequently asked questions that may answer questions you have. We have easy-to-use online applications for benefits that can save you a telephone call or a trip to a field office.

You also may qualify for government benefits outside of Social Security. For more information on these benefits, visit www.benefits.gov.

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P.O. BOX 1625 • BINGHAMTON, NY 13902-1625
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