

SOCIAL SECURITY HIGHLIGHTS



The Company That Cares.®



William F. Rainaldi, CFP®

Senior Financial Services Consultant
607-760-3315 • wrainald@smlny.com

In an October 13 press release, the Social Security Administration announced, with great fanfare, an annual cost of living adjustment of 5.9 percent. "The 5.9 percent cost-of-living adjustment (COLA) will begin with benefits payable to more than 64 million Social Security beneficiaries in January 2022," the release stated.

While touting the increasing benefits for workers and families, some analysts took a more skeptical view. After all, for many household items the price has gone up by more than 5.9 percent in the past year. According to CBS News, a gallon of gasoline has gone up by 57 percent in the past 12 months. The cost of a piece of chicken breast at your local supermarket has gone up by 9.1 percent, the cost of eggs has gone up by 29 percent, and the cost of a gallon of milk has gone up by 8.4 percent.



Social Security COLAs: Less than Advertised?

As bad as that is, the other shoe dropped on November 12. On that day Medicare.gov announced the 2022 charges for Medicare Part B. The monthly premium cost went up from \$148.50 to \$170.10, an increase of 14.5 percent.

The vast majority of Americans over age 65 participate in Medicare. There is no charge for participating in Medicare Part A, which is the major medical coverage, although deductibles and co-pays apply.

But for Part B, which covers things such as doctor visits and medical tests, there is a monthly premium. And that premium is deducted directly from the participant's Social Security payment. Here's an example: if your Social Security income is \$2,000 per month, in 2021 you would receive a net benefit of \$1,851.50, assuming you don't also withhold income taxes from your benefit.

So when that premium increase is included, it has the effect of reducing the net COLA you get from Social Security. Here's an example:

According to the SSA, in 2021, the average Social Security benefit—before the Part B charge—was \$1,437.55. The 2022 COLA would increase that to \$1,522.37. So far so good. But the increase in the Part B premium would eat up \$21.60 of that increase. When you factor that in, the “real” COLA is not 5.9 percent, but 4.9 percent.

And it’s worse for people with lower incomes. Let’s say your benefit is only \$1,000 per month. In that case, the “real” COLA—after factoring in the increase in the Part B premium—would be only 4.4 percent.

Keep in mind that for lower income Americans, Medicare has what’s known as a “hold harmless” provision. Basically, it says that the worst they can do is take 100 percent of your COLAs. In other words, they can’t reduce the nominal dollar amount of your Social Security income simply because of an increase in the Part B premium. But after inflation is a different story.

There is another complication that affects *higher* income Americans. This is known as IRMAA, or “Income Related Monthly Adjustment Amount.” For single taxpayers, it means that you pay a surcharge on Part B if your Modified Adjusted Gross Income is above \$91,000. For married filing jointly, that figure is \$182,000. This is a complicated subject, but for individuals with incomes above \$500,000 and married couples with incomes over \$750,000, the cost of Part B in 2022 goes all the way up to \$578.30 per month. And there are smaller surcharges that also apply to Medicare Part D (prescription drug) coverage.

So what does all this mean? The people at the SSA like to tout the fact that Social Security is a source of income that is protected against inflation. To some extent that’s true. But when you dig into the numbers, it’s just not as good as they say it is.



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.

The applicability of any strategy discussed is dependent upon the particular facts and circumstances. Results may vary, and products and services discussed may not be appropriate for all situations; each person’s needs objectives and financial circumstances are different and must be reviewed and analyzed independently.

We encourage individuals to seek personalized advice from a qualified Security Mutual life insurance advisor regarding their personal needs, objectives and financial circumstances.

Insurance products are issued by Security Mutual Life Insurance Company of New York, Binghamton, New York. Product availability and features may vary by state.

Copyright © 2022 Security Mutual Life Insurance Company of New York. All Rights Reserved.



The Company That Cares.®



YouTube

