



# Understanding Social Security

A look at the big picture

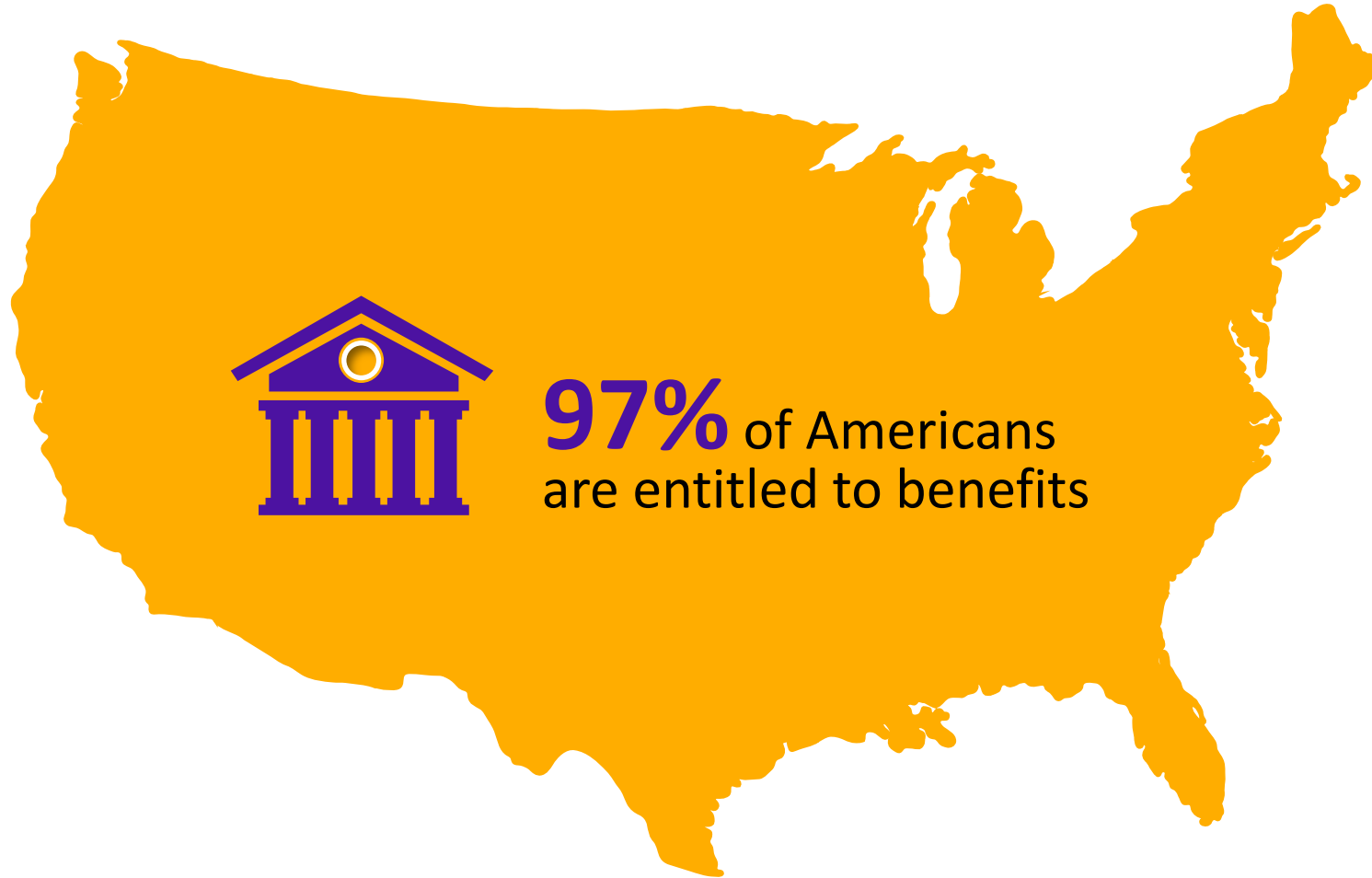
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# Why is Social Security important?

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Benefits can be more substantial than you think...

IRS Publications 915, February 7, 2023; SSA.gov

# Why is Social Security important?



Sam, 67 | Life-long high wage earner

**\$3,822/mo.**

Sue, 67 | Non-working spouse

**\$1,911/mo.**

**\$68,796/yr.**

Source: ssa.gov

# Why is Social Security important?

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**\$1,000,000**

Source: ssa.gov

# The challenge

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**“We can’t depend on Social Security to last—  
so why include it?”**



**“I don’t understand the program or decisions  
involved with taking benefits.”**

# Income transfer between generations

1



Workers and employers  
pay taxes **this month**

2



Payments to beneficiaries  
for **next month**

# A great system in 1937...

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- Paid retired workers
- Paid at age 65
- Life expectancy was 63



# ...but not as good of a system today



- Baby boomers did not have enough children
- Parents of boomers are living longer
- Average life expectancy of 65-year-old today is 85

## Living at 65\*

33% will live to 90

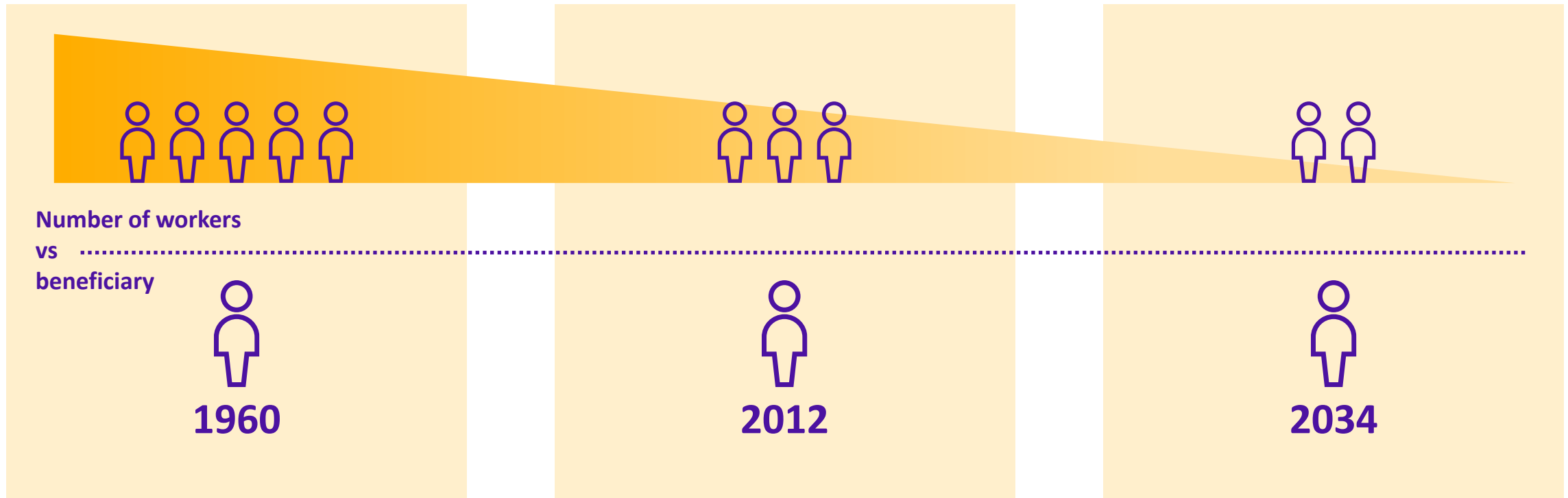
15% will live to 95

\*SSA Publication No. 05-10147, ICN 480136, January 2017, When to Start Receiving Retirement Benefits



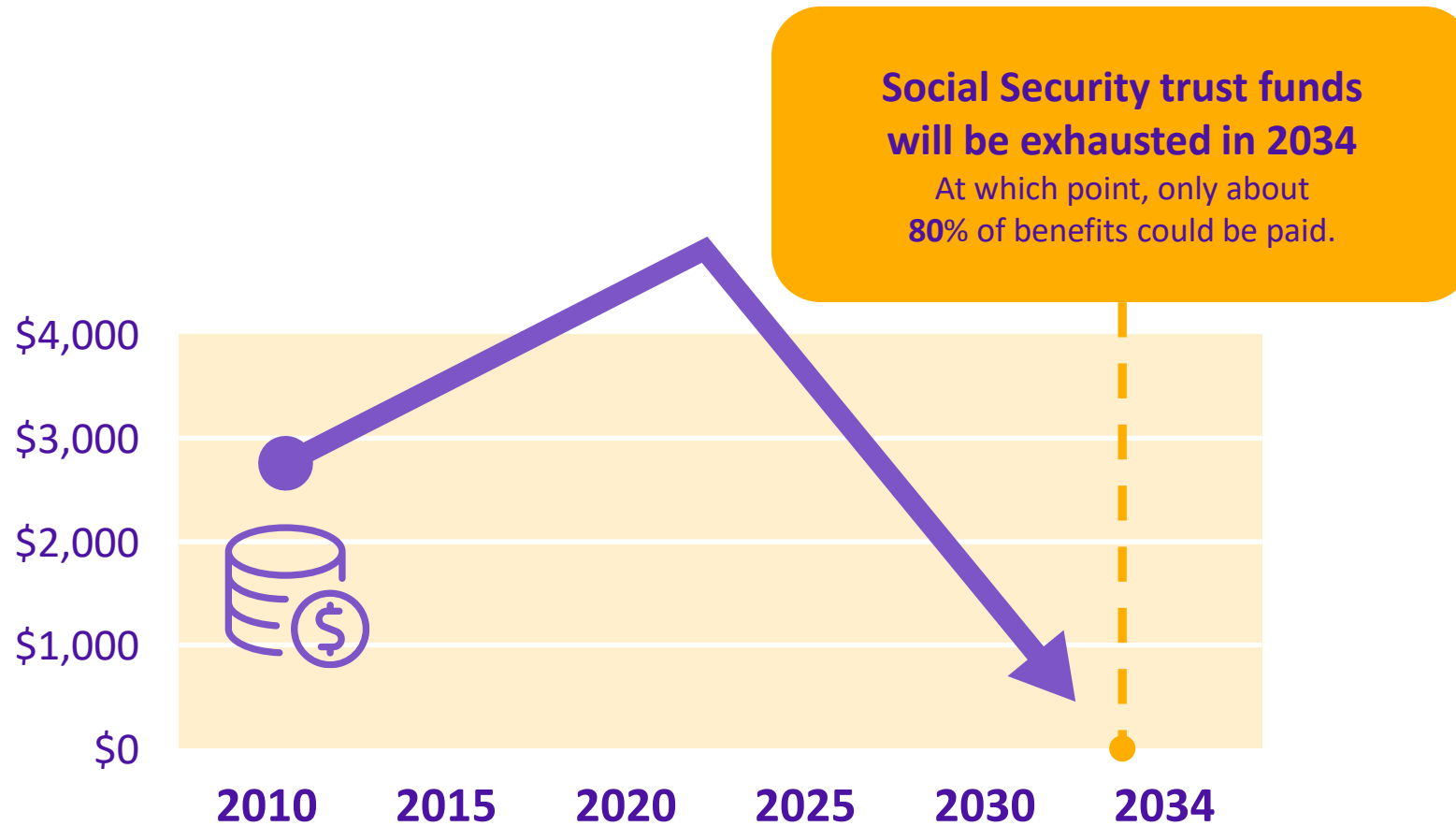
# Not such a great system today

The number of workers per beneficiary is decreasing



Source: ssa.gov-2017 OASDI Trustees Report

# So when will it be bankrupt?



Source: [ssa.gov/oact/trsum](https://ssa.gov/oact/trsum)

# How to help clients prepare for retirement

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- Social Security benefits
- Pensions
- Personal savings

Source: [ssa.gov/oact/trsum](https://ssa.gov/oact/trsum)

# The Social Security statement

[ssa.gov/myaccount](https://ssa.gov/myaccount)



# Determining your benefits

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You've been "saving" for years

**\$ 1,730 earnings = 1 credit**

- 40 credits required to draw
- Maximum 4 credits per year
- Take the highest 35 years of earnings, monthly average



# Full retirement age

Birth year	Full retirement
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	67

**67** is the new 65  
for baby boomers

Source: ssa.gov

# Age and benefits

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At age 62,  
you get a lower  
monthly payment  
(permanently)



At full retirement  
age, you get your  
full benefit

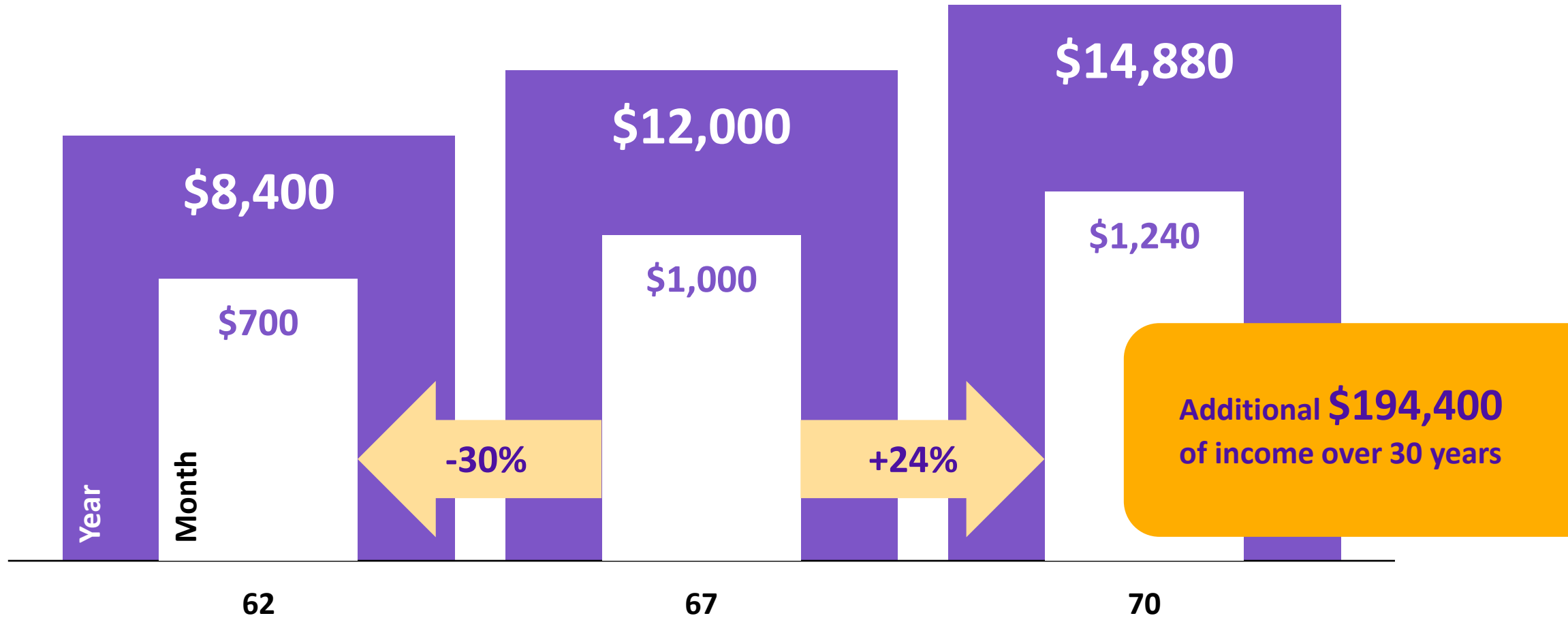


You get an even  
higher monthly  
payment if you  
delay starting your  
benefits **past your  
full retirement age**





# Sooner or later?



# What's the right decision?

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Individual decision

Everyone's situation  
is different

Prepare in advance to  
make this decision

Will they still be  
working?

Look at other income  
coming in

Source: [ssa.gov/oact/trsum](https://ssa.gov/oact/trsum)

# Who else qualifies for benefits

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- Current spouse could receive half
- Former spouse could receive half
- Children under 18 (up to 19 if still in high school)
- Children with a disability

# What about survivor benefits?

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## Widow or widower

- Reduced benefits at age 60
- If disabled, as early as age 50
- At any age if caring for a child under 16 or disabled
- Divorced widows/widowers may qualify

## Children

- Not married under age 18 (up to 19 if still in high school)
- Not married and disabled before age 22

# Working while receiving benefits

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## Before full retirement age

Planning to receive benefits while you're still working  
*and* before your full retirement age?

**Consider the effect...**

# Working while receiving benefits

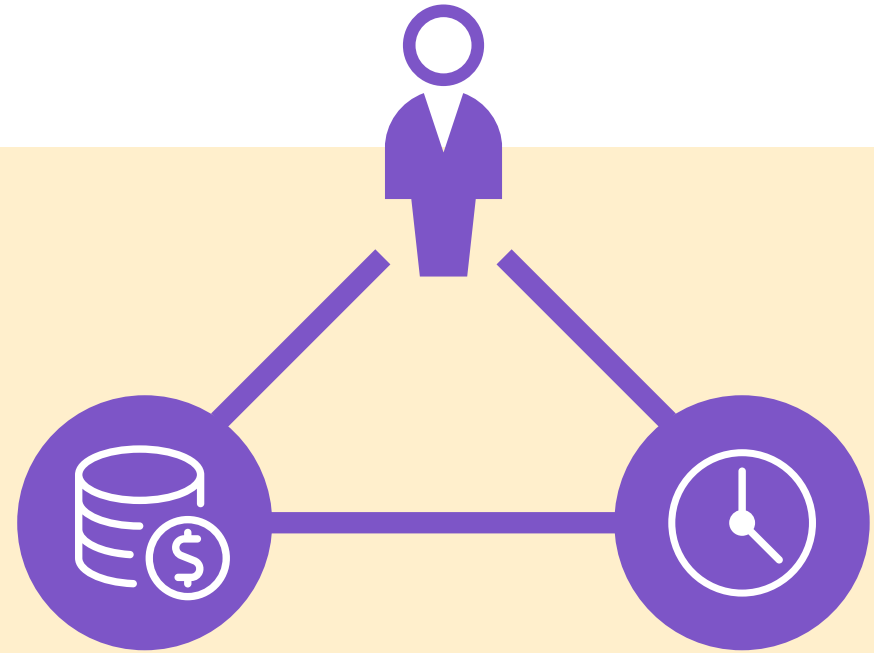
## Before full retirement age

Benefit is reduced

**\$1 for every \$2**

earned above the earnings limit\*

\*2024 earnings limit = \$22,320



Source: ssa.gov

# Social Security & taxes

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- Wages are taxed throughout your earning years
- Payments from Social Security system are taxable throughout benefit years

Source: ssa.gov



# Important information

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The next several slides discuss tax concepts as they relate to your retirement. This information is for educational purposes only. Please note that neither Protective nor its representatives offer legal or tax advice. You should consult with your legal or tax advisor regarding your individual situation before making any tax-related decisions.

# How much is taxable?

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## Provisional income:

- + All income from wages
- + Pensions
- + Investments
- + Any non-reportable income  
(interest on tax-exempt bonds)
- + Any other exclusions to income
- + Half of your Social Security benefits



Source: IRS Publication 915, February 7, 2023; SSA.gov

# How much is taxable?

Income amount	Taxable amount
<b>\$32,000 or less for joint filers</b> (\$25,000 for single filers)	0%
<b>\$32,000 to \$44,000</b> (\$25,000 and \$34,000 for single filers)	Up to 50%
<b>Greater than \$44,000</b> (\$34,000 for single filers)	Up to 85%

IRS Publications 915, February 7, 2023; SSA.gov

# Attention government employees

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## Teachers, state, fire and police

**Your benefits may be affected by the following:**

1. Windfall elimination
2. Government pension offset

# Windfall elimination provision

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- For those who have earned a Social Security benefit
- **And** a government pension
- \$587 is the maximum reduction for 2024
- If you have 30 years of work under Social Security, no reduction is taken

# Government pension offset

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- If you will take a spousal benefit **and** you have earned a government pension
- Your spousal benefit may be offset by two-thirds of your pension amount

# Important information

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## Answers to your questions

Protective 