

# Social Security and Your Retirement

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*THIS PRESENTATION ON SOCIAL SECURITY IS FOR INFORMATIONAL PURPOSES ONLY. NO ONE SHOULD MAKE A RETIREMENT DECISION BASED SOLELY ON THE INFORMATION PRESENTED.*

# What is Social Security?

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## **Social Insurance – FDR (1935)**

- **Retirement Insurance**
- **Survivor Insurance**
- **Disability Insurance**
- **Health Insurance (1965)**

# Social Security (FICA) - 2018

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**OASDI** – 6.2 % of wages to **\$128,700** paid by employee and 6.2% by employer = 12.4% contribution - maximum \$14,694

**Health Insurance** – 1.45%\* of wages (no maximum), paid by employee and matched by employer = 2.90% contribution

**Total Social Security Contribution = 15.3%**

\* Beginning January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9 percent in *Medicare taxes*.

# Social Security Eligibility

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**Retirement: 40 quarters of covered employment and at least 62 years old**

# Medicare Eligibility

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**Medicare: 40 quarters of covered employment or through your spouse and age 65**

- **Part A – Hospital Insurance**
- **Part B – Medical Insurance**
- **Part D – Medicare Prescription Drug Plan**

# How is Social Security Earned?

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**Wages required to earn one quarter  
Earn maximum 4 quarters per year**

- **1951-77 = \$50**
- **1978-80 = \$250-\$290**
- **1981-90 = \$310-\$500**
- **1991-2000 = \$540-\$780**
- **2001-2010 = \$890-\$1,1,20**
- **2011-2018 = \$1,120-\$1,320 (2018)**

# How is Social Security Calculated?

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**35 best years of Social Security indexed wages – zero for years below 35**

**Divide by 420 months (35 years) to get AIME (average indexed monthly earnings)**

# Calculating Your Benefit

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## PIA (Primary Insurance Amount) at FRA (Full Retirement Age) 2018

1. 90% of AIME up to **\$896 plus**
2. 32% of AIME between **\$896-\$5,399 plus**
3. 15% of AIME above **\$5,399**

(Bend Points)

Maximum SS benefit: **\$2,687 in 2017**



# Calculating Your 2018 Benefit

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**Total Indexed Wages/420 months =  
\$5,200 average monthly wages**

- 1. 90% of first \$896 = \$ 806**
- 2. 32% of next \$4,304 = \$ 1,377**
- 3. 15% of remainder = \$ 0**

**SS Benefit (FRA) = \$2,183/month**

# Social Security Earnings/Benefits

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- Go to [www.socialsecurity.gov](http://www.socialsecurity.gov)
- Create “My Account”
- Earnings history
- Projected benefits at FRA, early retirement, disability, survivors
- [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement) -- Get Your Social Security Statement Online 24/7

# Future Benefits

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**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 about 77 percent of scheduled benefits. By **2029**, the HI fund will become depleted and able to pay about 88 percent of the scheduled benefits.**

# Full Retirement Age (FRA)

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## **Born:**

**1937 65 years old**  
**1938 65/2 mo**  
**1939 65/4 mo**  
**1940 65/6 mo**  
**1941 65/8 mo**  
**1942 65/10 mo**  
**1943-1954 66 years old**

## **Born:**

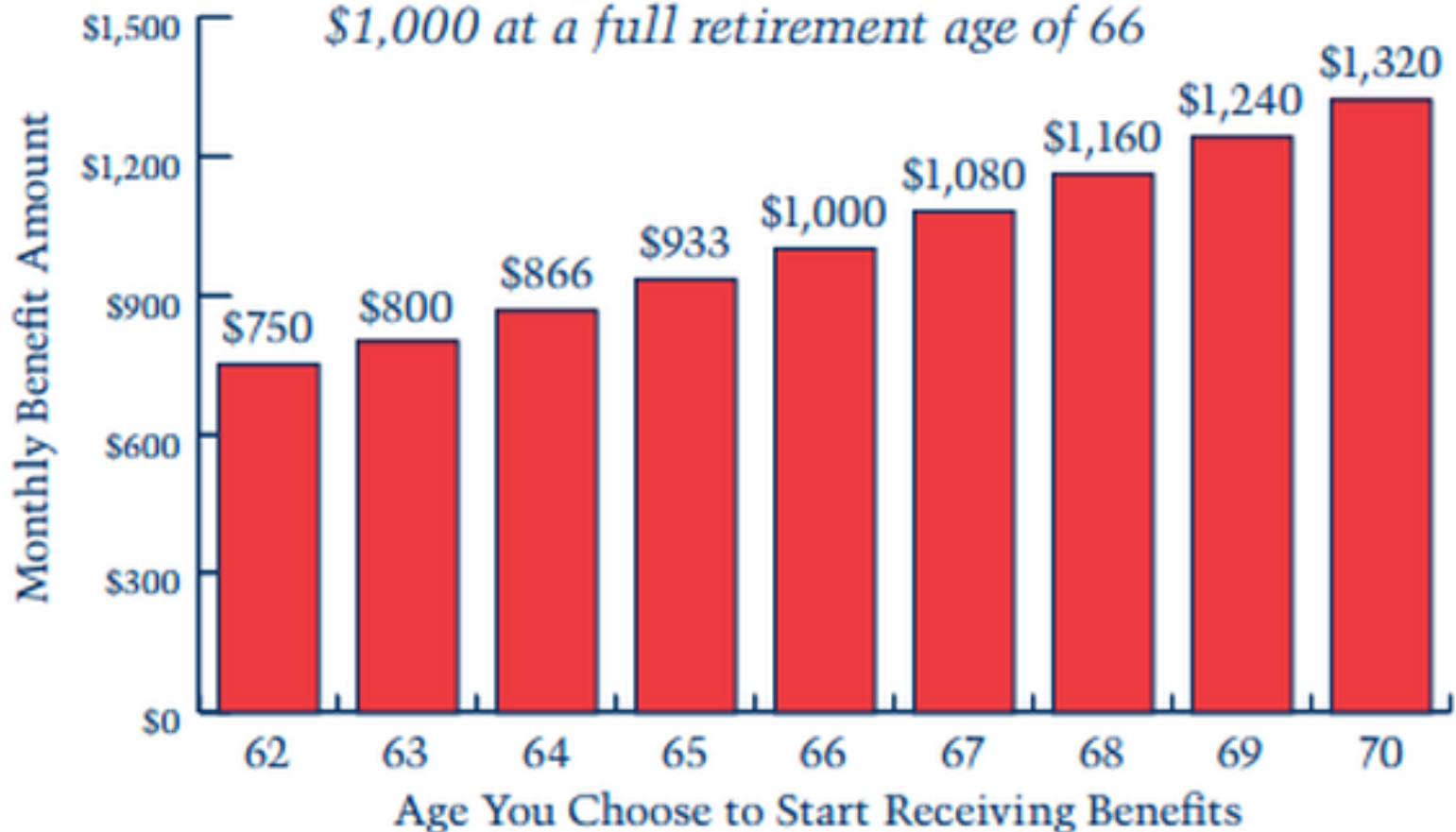
**1955 66/2 mo**  
**1956 66/4 mo**  
**1957 66/6 mo**  
**1958 66/8 mo**  
**1959 66/10 mo**  
**1960 & after**  
**67 years old**

# Age and Benefits

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## Monthly Benefit Amounts Differ Based on the Age You Decide to Start Receiving Benefits

*This example assumes a benefit of \$1,000 at a full retirement age of 66*



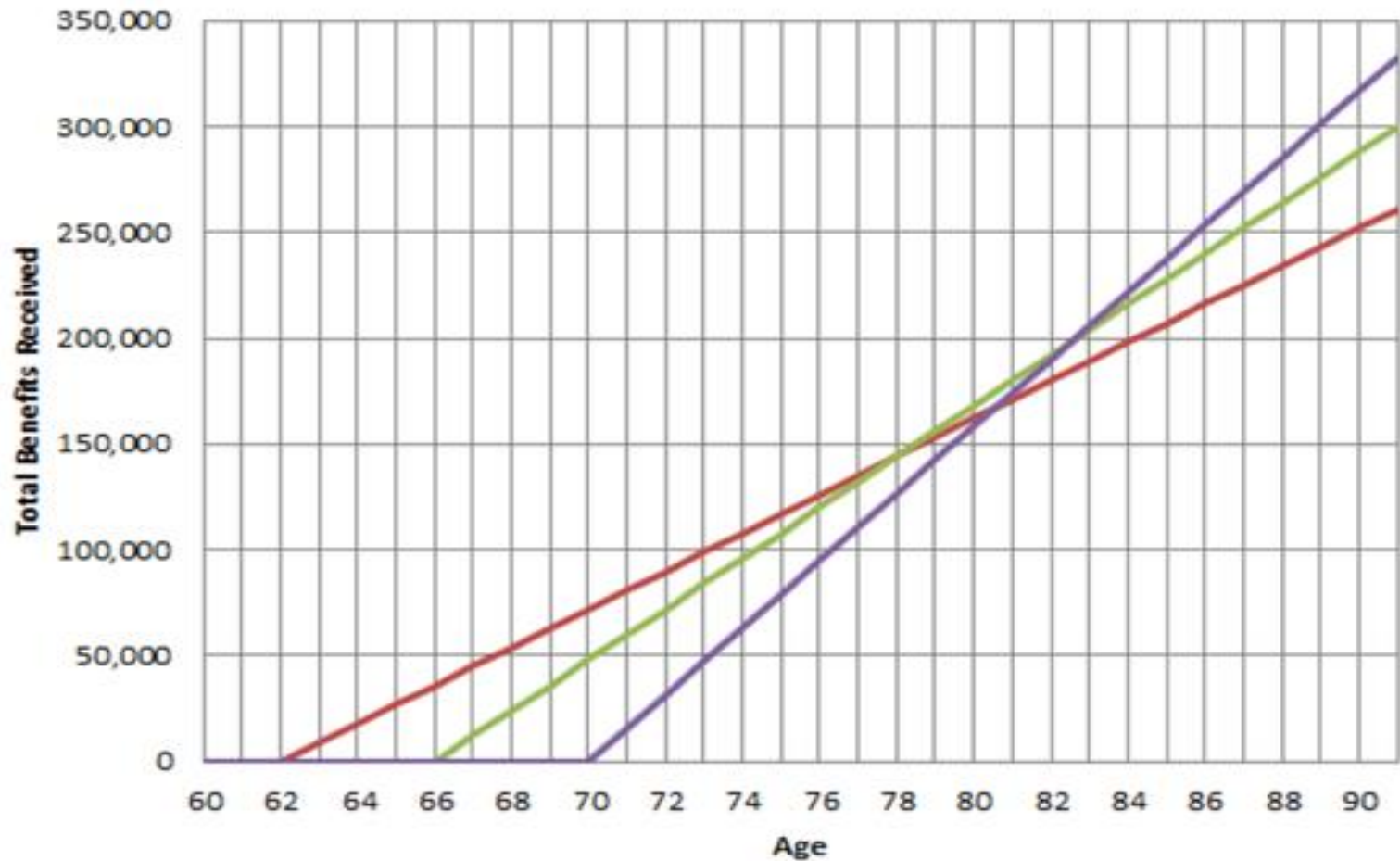
# Early Retirement Impact

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Start Collecting At:	Full Retirement Age of 65	Full Retirement Age of 66	Full Retirement Age of 67
62	80%	75%	70%
63	86.7%	80%	75%
64	93.3%	86.7%	80%
65	100%	93.3%	86.7%
66		100%	93.3%
67			100%

# When to Retire?

## Standard Social Security Breakeven Analysis



— If Start Benefits at 62    — If Start Benefits at 66    — If Start Benefits at 70

# Early Retirement

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**Retire before your full retirement age:**

- ❖ **Earliest retirement is 62 years old**
- ❖ **Can retire anytime between age 62 and your full retirement age or up until age 70**

**Can I retire early and keep on working?**

**YES – but....**



# Social Security Earnings Limit

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**Earnings limit on work if you retire before full retirement age (\$1 SS for \$2 wage offset after earning **\$17,040**)**

**At full retirement age, there is no earnings limit or offset**

**If you work after SS retirement, you still pay FICA and benefits could increase**

# Three Key Amounts

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**\$17,040** – wage limit on earnings before FRA

**\$1,320** – wages required to earn one quarter toward 40 quarters to qualify for SS

**\$25,000/\$32,000** – up to 50% of benefits are taxable – could be as high as 85%

**Deferring money into 457 plan does not reduce Social Security benefits**

# Spouse Benefit

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**Higher of earned Social Security benefit or 50% of the spouse's or former spouse's benefit (if divorced)**

# Spouses and Marriage

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- **Spouse claiming benefit based on your earnings does not reduce your monthly SS check**
- **Currently married to spouse**
- **Divorced and marriage lasted 10+ years and did not remarry**

# Death Benefits

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- **Death survivor payment of \$255**
- **Survivor benefit based on spouse's FRA and eliminated if you remarry**
- **Dependent children also qualify until age 18 or 19 if still in K-12 school**
- **Survivor gets greater of earned Social Security benefit or spouse's FRA benefit**

# Disability Benefit

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

- **enough credits from earnings; and**
- **physical or mental impairment that's expected to prevent you from doing “substantial” work for a year or more or result in death.**

# Offsets to Social Security

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- **Does not apply to Fort Lauderdale employees – and ONLY applies if spouse worked in government position not covered by Social Security**
- **GPO – Government Pension Offset (spouse benefits)**
- **WEP – Windfall Elimination Provision (worker)**

**Both reduce Social Security benefits if above applies**

# Applying for SS and Medicare

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**Apply about 4 months before you reach  
FRA or your early retirement date**

**SS paid throughout month – and one  
month delay**

**Medicare starts first day of month of  
birthday**



# Apply Online

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**[www.ssa.gov](http://www.ssa.gov)**

**[www.medicare.gov](http://www.medicare.gov)**

## **Apply for benefits online**

- **Social Security retirement benefits**
- **Disability benefits**
- **Benefit calculator**
- **Change address**

**NOTE: make sure URL is .gov – otherwise you may go to another site that is not the government site**

# Local Social Security Office

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**Visit the Social Security office**

**3201 W Commercial Blvd**

**Suite 100**

**Fort Lauderdale, FL 33309**

**8:30 am – 3:30 pm (M-F)**

**1-800-772-1213 (7am-7pm, M-F)**

**Make an appointment**