Retiring the Month with Mike - August Edition

Good Morning,

As much as it pains me to say, summer is almost over. Children and grandchildren will be heading back to school any day now, and for some of us a relaxing fall is in order after an eventful summer. While most of our clients were out enjoying time with family and friends, a few did reach out during the summer and asked if I can cover a broad overview of Social Security in my next piece. In researching an appropriate resource to cite, I found a pre-approved piece offered from Commonwealth Financial Network which addresses common concerns about collecting social security retirement benefits, including the effects of part-time work and other earnings on benefits, the age at which you may begin collecting, and spousal benefits:

Q: What age do you have to be to get full benefits?
A: It depends on when you were born.

Year of Birth	Full Retirement Age (FRA)
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

Q: If I start receiving social security, do I automatically qualify for Medicare?
A: No. You are eligible for Medicare only when you reach age 65.

Q: How will working part-time prior to claiming social security decrease or increase my benefit?
A: Your social security retirement benefit is based on an average of your highest 35 years of earned income, adjusted for inflation. This may include years with zero earnings, such as when a parent takes time off to raise children. Working additional years will never reduce your benefits because low-wage years never replace higher-wage years. In fact, working part-time in retirement will usually help increase your primary insurance amount (PIA)—the basis for determining benefits—even if you are already drawing benefits. You may not realize the increase immediately if your benefits are temporarily reduced because you earn too much.

Q: If both spouses are receiving social security retirement payments based on their own work record, do a spouse's earnings from work reduce the other spouse's benefits?
A: No. Only the working spouse's benefits, including dependent benefits, are reduced by excess earned income before FRA. If you receive a combination of your own benefits and a spousal benefit, only the spousal portion is affected by your spouse's excess earnings.

Q: What if I apply for social security benefits midyear?

A: Only your earnings from work after you apply for social security are factored into the excess earnings test. Your earnings prior to retirement do not cause an offset of your benefits.

Q: What is considered earned income?
A: Earned income includes wages or net earnings from self-employment. Pensions, 401(k) distributions, severance and other post-employment pay, dividends, interest, and IRA distributions are not treated as earned income.

Q: May I start to receive reduced benefits at age 62, or prior to FRA, and then change my mind?
A: Yes. You can apply for reduced benefits prior to FRA and then, within 12 months, withdraw the application and reapply at a later date. You must, however, pay back all of the benefits you received, including dependent benefits.

Q: What are spousal benefits?
A: While you are living, your spouse can receive a dependent benefit of up to 50 percent of your full retirement amount. Benefits paid to your spouse will not decrease your retirement benefit. In fact, it is possible to receive a combination of benefits as a worker and as a spouse, although the maximum you will receive is the higher of the two.

Q: How can a couple maximize their social security benefits?
A: If current cash flow is not an issue, the spouse with the lower earning history could apply for benefits as early as possible while the higher-earning spouse would delay benefits as long as possible.

Example: Let's say Sally and Jim are age 62 and 65, respectively. Sally retires at 62 and applies for reduced social security benefits. Her husband, Jim, also retires but does not apply for benefits. He will continue to accrue delayed retirement credits on his record—equivalent to an 8-percent increase per year—until age 70, when he applies for his own maximized worker benefit.

Q: How reliable is the estimate on my social security statement?
A: The social security statement assumes that you will continue to work at the same level of earnings until retirement. If you stop working but decide to delay benefits, your benefits may be less. Use the Retirement Estimator on the SSA website (***www.ssa.gov***) to see how not working could affect your monthly benefit.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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Social Media Post of the Month

For our monthly social media post, I chose to share an article I posted on LinkedIn pertaining to the millennial demographic and misconceptions associated with them saving for retirement. This article discusses millennials saving habits and what some of the main concerns are that are associated with saving. It was no surprise to see that the biggest financial stressor is "not saving enough for retirement". In my experience in working with our millennial clients, they indicate to me that they simply just need to be pointed in the right direction to create a plan crafted for them. Jeremy and Chris have allowed me to focus on this demographic since I too am a millennial and know what it's like to have student loans, save for a home, and maybe even buy the car you've always wanted. If any of you know of someone in the millennial demographic (ages 23 – 37), I would be more than glad to sit with them for a complementary review to see where they are today, find out where they'd like to be, and help with a plan that is meant for them.

Michael A. Mendillo Jr.
Help pre-retirees and retirees successfully prepare for, transition into, and live comfortably during retirement.
1mo

The #Millennial generation's (ages 23 – 37) biggest financial stressor is "not saving enough" for their #retirement . Do you have a financial plan in place to start #saving for your future?

Millennials: 1 in 6 now have $100,000 socked away
usatoday.com

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Sincerely,

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