



# Social Security benefits planning

Basic considerations and strategies



Welcome to today's presentation

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You should always consult with your own attorney and/or tax advisor before making changes to your individual investment, financial plan and/or estate plan.

# Social Security Basics

## Social Security acronyms—PIA

- Based on lifetime Social Security earnings
- Contributions from payroll tax of 6.2% on first \$168,600 of earnings in 2024
- Calculated using the highest 35 years of adjusted earnings added together, then divided by 420
- Your Social Security benefit reflects a percentage of this average monthly earnings figure
- Maximum monthly Social Security benefit for a retiree at full retirement age in 2024 is \$3,822
- PIA—Primary insurance amount ([www.ssa.gov/myaccount](http://www.ssa.gov/myaccount))

# Social Security acronyms—FRA

FRA—Full retirement age

If you were born:	Your FRA is:
Between 1943 and 1954	66
Between 1955 and 1960	66 + 2 months /year
After 1960	67

## Social Security acronyms—DRC

### **DRC—Delayed Retirement Credit**

- Retirement benefits can be increased by a certain percentage if you delay your claim beyond FRA.
- For those born after 1943, retirement benefits will be increased by 8% each year you delay after FRA until age 70.
- DRC's will no longer accrue after age 70.
- While DRC's can be used to increase your personal retirement benefit and available survivor's benefits, it does not apply to spousal benefits.

## Social Security terms—Deemed filing

### Deemed filing

- Deemed filing means that when you file for either your retirement or your spouse's benefit, you are required or “deemed” to file for the other benefit as well.
- Social Security will pay you the larger of the two.
- Deemed filing applies to retirement benefits, not survivor's benefits.

# Available benefits and how they are calculated



## Social Security personal retirement benefit

**To be eligible to collect Social Security on your own, there are several qualifications the potential recipient must meet:**

- Minimum of 10 years of covered employment or 40 credits
  - In 2024, each \$1,730 of earned income equals one credit.
  - A maximum of four credits can be earned in any year.
- Must be at least 62 years of age
- Calculated using the highest 35 years of adjusted earnings added together, then dividing by 420

## Social Security for a spouse

**As a spouse, you can receive either your own Social Security benefit or you can collect a spousal benefit equal to 50% of your spouse's full retirement age Social Security benefit.**

**You can collect whichever is greater—but not both.**

- You must be at least 62-years old to collect a spousal benefit
- If caring for a child who is under age 16, or disabled, who is entitled to receive benefits on your spouse's working record, you may be able to collect before age 62

## Social Security benefits for other family members

- Children under 18 and unmarried (19 if child is still a full-time high school student)
- Adult disabled children (if permanently disabled before age 22)
- A dependent parent or grandchild
- Maximum family benefit limited to between 150% and 188% of worker's full retirement benefit

## Widow or widower benefits

**If you are the widow or widower of a person who worked long enough under Social Security, you can:**

- Receive a survivor's benefit equal to the retirement benefit the worker was receiving (or would have been entitled to receive) at the time of their death.
- Receive full benefits at full retirement age for survivors or reduced benefits as early as age 60.
- Begin receiving benefits as early as age 50 if you are disabled AND the disability started before or within seven years of the worker's death.

## Social Security benefits for an ex-spouse

- If you are the ex-spouse of a worker entitled to a Social Security retirement benefit, you are eligible for spousal and survivor's benefits (even if your ex-spouse remarries), provided that:
  - Your marriage lasted 10 years or more;
  - You are unmarried (or have not remarried until after age 60 for survivor's benefits eligibility purposes); and
  - The benefit available on your ex-spouse's record is more than the benefit you are entitled to receive based on your own record.
- Unlike a current spouse, spousal benefits are available to an eligible ex-spouse even if their former spouse has yet to file for their own retirement benefit, if you have been divorced for at least 2 years.
- Survivor's benefits paid to an ex-spouse will not affect the benefit rates for other survivors who are receiving benefits on the worker's record.

# Deciding when to take Social Security

## File early or file late?

- Do you need the money?
- Do you plan on working throughout retirement?
- Do you plan on never retiring?
- Do you or your spouse have health issues?
- Are you concerned about whether Social Security will be there for you and your spouse?

## Filing for benefits early will reduce your benefit

If you file for benefits early (before your FRA) your benefit will be reduced by 6.7% per year for up to 3 years and 5% year for each additional year.

If you file for benefits late (after your FRA), your benefit will be increased by 8%

What does this mean?

### **If your FRA is 66:**

- Filing for benefits at age 62 results in a permanent reduction in benefits of 25%.  
Delaying benefits increases your benefit by 32% (8% each year up to age 70 up to a maximum 32% increase!).

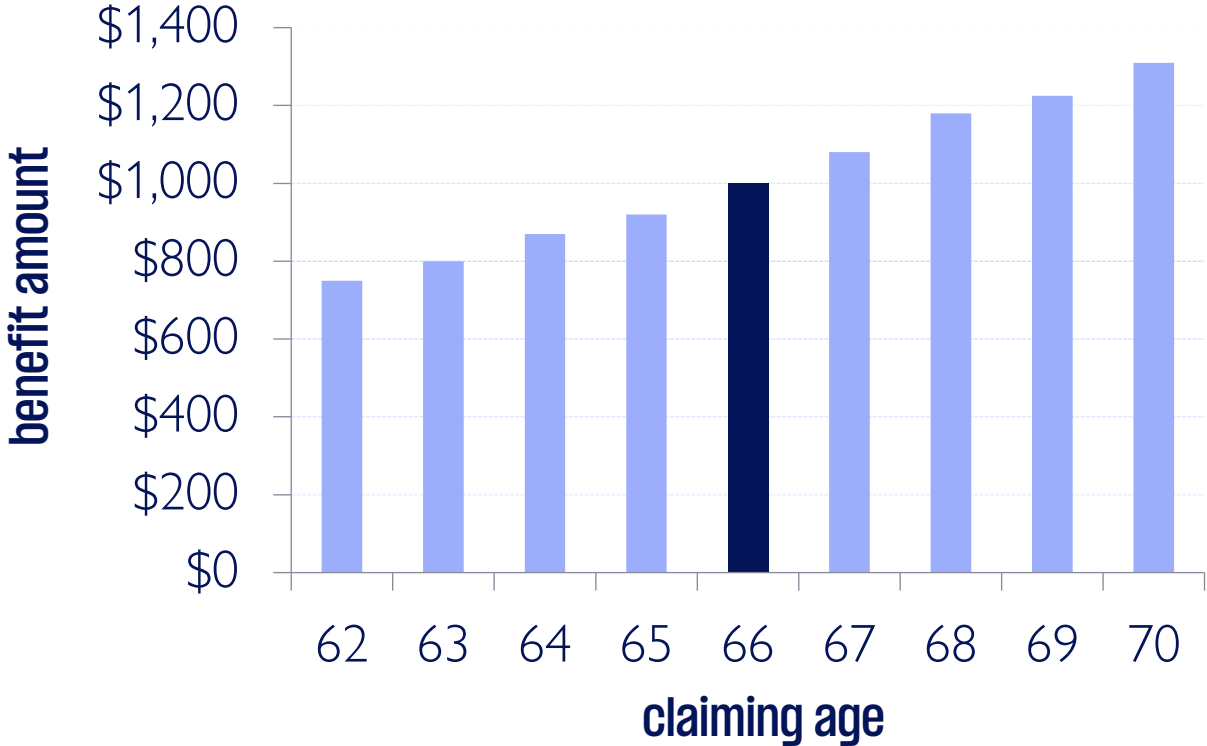
### **If your FRA is 67:**

- Filing for benefits at age 62 results in a permanent reduction in benefits of 30%.
- Delaying benefits increases PIA by 24% (8% each year up to age 70!).

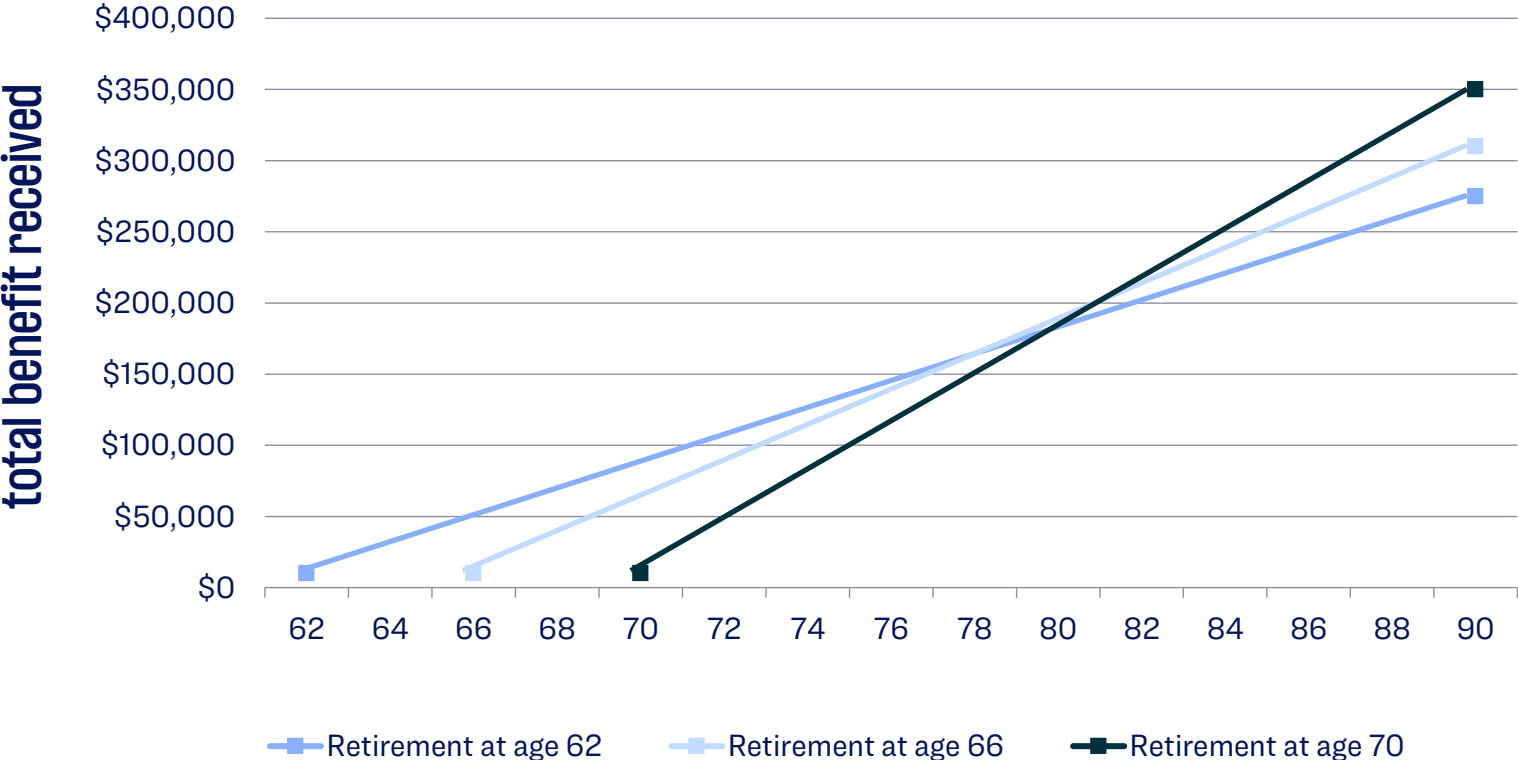


# Impact of claiming early, or late

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# Comparison of break-even points



## Jane – Understanding her choices

- Jane is age 60 and single
- Currently working
- In excellent health
- Has sufficient assets to retire at age 62

Retirement Strategy	Jane's Monthly Benefit
Early Retirement (62)	\$1,400
Full Retirement Age (67)	\$2,000
Delayed Retirement (70)	\$2,480

Retirement Strategy	Est. total benefits received by age 75*	Est. total benefits received by age 85*	Est. total benefits received by age 95*
Early Retirement (62)	\$287,050	\$578,365	\$969,867
Full Retirement Age (67)	\$282,586	\$698,651	\$1,257,996
Delayed Retirement (70)	\$243,885	\$759,995	\$1,453,606

\* Assumes cost of living adjustment (COLA) increases of 3% per year  
 This is a hypothetical example used for illustrative purposes only

## John and Sally – Understanding their choices

John and Sally are working spouses who are currently both age 60 with a full retirement age of 67

Claiming age	Sally's Monthly Benefit	John's Monthly Benefit	Total
Early Retirement (62)	\$1,400	\$1,050	\$2,450
Full Retirement Age (67)	\$2,000	\$1,500	\$3,500
Delayed Retirement (70)	\$2,480	\$1,860	\$4,340

Timing of claims	Est. total benefits received by age 75*	Est. total benefits received by age 85*	Total benefits received by age 95 if Sally dies at age 85 survived by John*
Both claim at age 62	\$502,332	\$1,012,128	\$1,403,592
Both claim at age 67	\$494,586	\$1,222,790	\$1,782,135
Both claim at age 70	\$426,682	\$1,392,629	\$2,023,239

\* Assumes cost of living adjustment (COLA) increases of 3% per year. This is a hypothetical example used for illustrative purposes only.

## Strategy to consider for married couples

### **62/70 Split Strategy:**

- Used when each spouse has their own primary benefit.
- Spouse with lower benefit claims early at age 62.
- Spouse with larger benefit defers until age 70.
- **Benefit:** Allows for benefits to begin early, while maximizing the largest benefit for the surviving spouse, which could result in greater net lifetime benefits for the couple.
- **Remember:** At death, surviving spouse will continue to receive the larger of the two benefits.

## Changing your mind

- You have one year to decide that you would like to re-think when to begin taking Social Security benefits.
- If you would like to change your mind, you must pay the government back all of the benefits that you received.

**Note:** If you are enrolled in Medicare Part B then you will need repay any premium amounts that were deducted directly from your Social Security benefit and make arrangements for paying future premiums while Social Security is deferred!

# Income and tax considerations

What if you work and begin taking Social Security before full retirement age?

**If you are younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.**

- If you are under full retirement age, \$1 in benefits will be withheld for every \$2 in earnings above \$23,320.
- In the year that you reach full retirement age, \$1 will be withheld for every \$3 in earnings above \$59,520 until the month that you reach full retirement age.
- If you continue to work after reaching full retirement age, your Social Security benefits will not be reduced due to earned income.



# Tax considerations of Social Security

**If you have income in addition to your Social Security benefits, you may have to pay federal income tax on your Social Security benefits.**

**If you file a federal tax with combined income\* that is:**

- between \$25,000 and \$34,000 for single filers (\$32,000 and \$44,000 for joint filers), up to 50 percent of your Social Security benefits could be taxed.
- more than \$34,000 for single filers (\$44,000 for joint filers), up to 85 percent of your Social Security benefits will be taxed.

**Note:** Depending on where you reside, your Social Security benefits may also be subject to state income taxes

\* Combined income = adjusted gross income + nontaxable interest +  $\frac{1}{2}$  of your Social Security benefits

# Resources

## Additional Social Security resources

- Retirement Estimator is available at: [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator)
- Online enrollment is available at: [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits)
- General Social Security information is available at: [www.socialsecurity.gov](http://www.socialsecurity.gov) or you can call their toll-free number, **1-800-772-1213**.

Q&A

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