



This month, our Wealth Council Insights Education Series will focus on Social Security, highlighting the optimal time to begin taking retirement benefits and other considerations surrounding the program. Everyone's situation is unique, necessitating nuanced discussion on a variety of details (such as marital status, children, income tax and Medicare to name a few).

TIMING OF BENEFITS

The earliest you may take Social Security benefits is age 62 (with the exception of widows and widowers, who may take benefits starting at age 60). If benefits are taken prior to your Full Retirement Age (FRA), which is dependent upon your year of birth, the benefit amount will be permanently reduced. For those born between the years of 1954-1959, FRA is age 66 plus a number of months; if born in 1960 or later, the FRA is age 67.

As an example, if your FRA is age 66, but you opt to start benefits at age 62, your monthly benefit might be reduced from \$2,000 to approximately \$1,500...forever. However, if you delay taking benefits until age 70 instead of age 66, your monthly benefits will increase by 8% per year for four years, increasing your \$2,000 monthly benefit to \$2,720. While this is a significant increase, you also have to take into account other factors before jumping to delay to age 70. For example, what is your family's medical history? Have several of your relatives lived into their 90s? Do you have any health conditions that reduce your chances of living for multiple decades, such as cancer or heart disease?

If you do not foresee you and your spouse living well past 80, it could be just as beneficial to take benefits at your FRA, especially if needed for living expenses. However, if you and your survivors are not heavily dependent on those benefits for making ends meet could be worth delaying the benefits and getting the 32% in cumulative increases over that 4-year period.

It's all a guessing game, as we can only project what those numbers would be at various longevities and utilize estimated assumptions regarding future earnings and interest rates. The additional part of that guessing game is whether Social Security benefits will even be available at the age you retire. The Social Security Administration (SSA) relies primarily on payroll taxes to pay out benefits. But with older Americans retiring in droves and also living longer lives, there is currently more money being paid out in benefits than is being collected in payroll taxes. As a result, the SSA has been dipping into its trust funds to cover the deficit. Current estimates project that only 80% of projected benefits will be available to pay out by year 2034.

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2024 FACTS AND FIGURES

- I. Social Security payments increased by 3.2% for 2024 due to the annual cost-of-living adjustment.
- II. Workers pay 6.2% of their earnings into the Social Security system up to the 2024 taxable maximum of \$168,600
- III. FRA is age 67 if born in 1960 or later.

INCOME TAX ISSUES

Another consideration in taking benefits early is the significant tax withholdings that occur if you are still earning other income. \$1 of benefits for every \$2 earned above the annual limit (\$22,320 for 2024) will be withheld in years benefits are taken prior to your FRA. If you reach FRA during 2024, the annual limit is \$59,520 with



withholding of \$1 in benefits for each \$3 in excess of that threshold. Once you reach your FRA and begin a new calendar year, there is no penalty for working and collecting Social Security benefits at the same time, and your benefit is recalculated to give you credit for your continued earnings and any benefits that were withheld in the past.

STRATEGIES TO MAXIMIZE YOUR SOCIAL SECURITY BENEFITS

- I. As mentioned previously, if your cash flow allows and you expect to live into your 80s and beyond, consider delaying benefits until age 70 to benefit from increased benefits for you and your spouse.
- II. Avoid taking spousal benefits prior to FRA, as you will be deemed to have taken your own retirement benefit at that time, reducing your retirement benefit permanently by 25-35%.
- III. If you neglect to file until months after your FRA, but want to set that age as your starting age, you may request a lump-sum retroactive payment of up to six months' benefits.
- IV. If you change your mind about starting your benefits, you can cancel your application for up to 12 months after you became entitled to benefits – this process is called a withdrawal and you can re-apply later. All benefits received thus far must be repaid.
- V. If you have already started taking early retirement benefits, upon reaching FRA you may suspend your benefits and restart again at age 70, permanently increasing your

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benefits by 32%. This is a little known fact not widely known by many Social Security employees, so you may need to be persistent.

ADDITIONAL SOCIAL SECURITY BENEFITS

- I. **Divorced Spouse Benefits:** You must be at least 62 years old and not currently married, be divorced from a person who receives Social Security retirement or disability benefits and have been married to that person for at least 10 years. Unlimited multiple ex-spouses may claim benefits on the same person; this does not affect the person's benefits being claimed upon, nor are they notified.
- II. **“Older Parents” Benefits:** If you have children under age 18 (or 19 if still in high school), they can collect benefits of up to half of what you would get at FRA, even if you claim benefits at age 62. If you have multiple children, they can all collect until they age out, up to a family maximum limit between 150% and 180% of your FRA benefit. However, this may not be beneficial if you are still working, as they will be subject to withholding that your children will never recoup.

NUANCES IN COMMUNICATIONS WITH SSA

Make intentions very clear to the Social Security office as to which benefits are being applied for and the month to start, noting all details and maintaining your own copy. Due to the complexity of the rules surrounding Social Security, mistakes are made, but can be corrected with proper documentation and follow-up.





Be your own advocate. Check your Social Security statements annually to ensure your earnings history is correct. The SSA has changed their policy several times over the past decade on sending out annual statements by mail, so in order to cover your bases in the likelihood you will not receive it by mail, create an account at <https://www.ssa.gov/myaccount/>. It should only take 10-15 minutes for the initial set-up. If you have placed a fraud alert or other freeze on your credit report, you will need to unlock that freeze long enough to access your social security information.

CONCLUSION

As you near retirement, consult with your Oxford team to determine the optimal time to apply for benefits and how to make the process as smooth and easy as possible. To assist you in making decisions, projections can be made based on what you estimate your future income will be leading up to retirement and what your longevity expectations are. There are several nuances regarding social security and its interaction with Medicare and spousal issues, requiring research to ensure your goals in this aspect are met.

There are no simple rules regarding the perfect timing for filing for Social Security as every person's situation is different. By making some assumptions based on family history, personal health and cash flow needs, you can make an educated decision on which path to take.

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WEALTH COUNCIL INSIGHTS EDUCATION SERIES

ABOUT THE SERIES

In the Wealth Council Insights Education Series, we endeavor to deconstruct some of the complexities that exist around many commonly utilized estate and financial planning concepts in order to provide you and your family with the basic knowledge needed to better understand and create a blueprint for your overall wealth enhancement needs.