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Welcome!

Savvy Social Security Planning

March 11, 2022

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Torrance Memorial Highlight

Opening in El Segundo
April 2022!

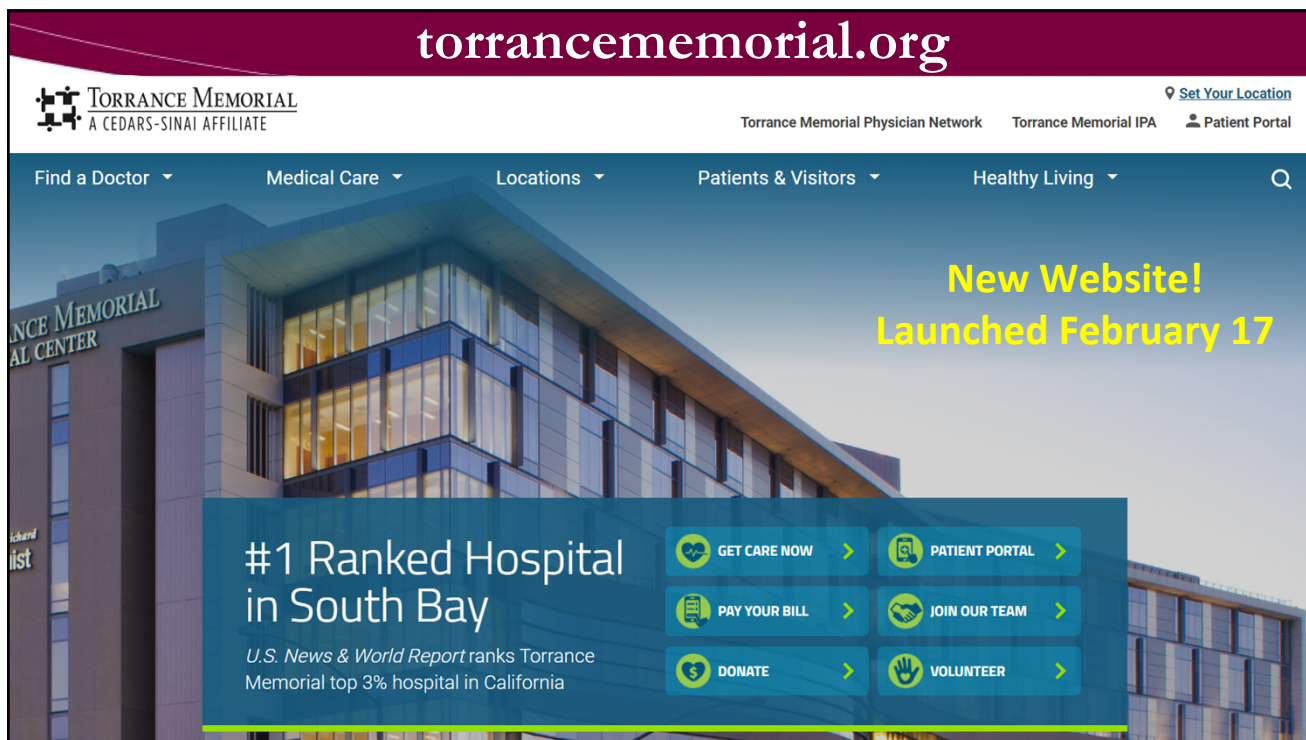
2110 E El Segundo Blvd
(between Nash and Continental)



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Types of Planned Gifts

1. **Bequest** – gift through will, living trust or designation in a qualified retirement plan.
2. **Immediate Charitable Gift Annuity** – Simple contract between donor and the Torrance Memorial Foundation whereby lifetime payments are made to one or two individuals.
3. **Deferred Charitable Gift Annuity** – Annuity payments are deferred until a specified date in the future.
4. **Charitable Remainder Trust** – Trust that provides fixed or variable payments to named beneficiaries for life or a specified term of years.
5. **Retained Life Estate** – Gift of remainder interest in home or farm. Donor retains the right to live in the home for life.
6. **IRA Beneficiary** – Naming Torrance Memorial as the beneficiary of your retirement accounts (percentages can be designated as desired)

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IRA Qualified Charitable Distribution (QCD)

- Gift up to \$100,000 from your IRA to Torrance Memorial
- Qualifies as your RMD
- Must be 70½ years of age (SECURE Act did change minimum distribution age to 72 but not this QCD age limit)
- Donation must come directly to Torrance Memorial from IRA administrator (check payable to Torrance Memorial Foundation)
- Become member of Heritage Society

Not included in your income for your tax return

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Resource for Planned Giving

www.TorranceMemorialFoundation.org/planned-giving

- Learn about the different arrangements available
- Plug in some numbers in the “gift calculator” to get an idea of how this type of gift might work for you
- **Download a FREE estate planning kit**
- Contact Sandy VandenBerge at (310) 784-4843
sandy.vandenberge@tmmc.com



Financial Health articles - www.torrancememorialfoundation.org/News

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How to Donate to Torrance Memorial Medical Center

Online

<https://www.torrancememorialfoundation.org/Donate>

By Phone

Please call Torrance Memorial Foundation at 310-517-4703.
You may charge your gift to your credit card or make a gift pledge.

By Mail

Check or credit card information to: Torrance Memorial Foundation
3330 Lomita Blvd.
Torrance, CA 90505

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Savvy Social Security Planning **PRESENTERS**

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Things to Know About Social Security

1. You have many claiming options
2. Decisions have far-reaching consequences
3. Choice impacts both spouses
4. System is not bankrupt, nor a Ponzi scheme
5. Benefits likely helped a family member
6. Your friends aren't experts

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Today's Agenda

1. Understanding the value of Social Security
2. Will Social Security be there for you?
3. How much can you expect to receive?
4. When should you apply for Social Security?
5. How can you maximize your benefits?

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1. Understanding the Value of Social Security



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Social Security Offers Income You Can't Outlive

If your monthly benefit is \$2,000 today and you live:

10 more years	You will receive a total of:	\$ 270,118	in lifetime benefits
20 more years		\$ 619,281	
30 more years		\$ 1,070,618	

Assumes a 2.6% annual cost-of-living adjustment.

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Social Security Offers Annual Inflation Adjustments

If your monthly benefit is \$2,000 today and annual cost-of-living adjustments are 2.6%:

In 10 years	Your monthly benefit will be:	\$2,585
In 20 years		\$3,342
In 30 years		\$4,320

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2. Will Social Security Be There For You?



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Old Age Survivor & Disability Insurance (OASDI)

- OASDI Trust Fund is still growing
- Trust fund balance on 12/31/2020: \$2.897 trillion
- Trust fund balance on 12/31/2021: \$2.910 trillion

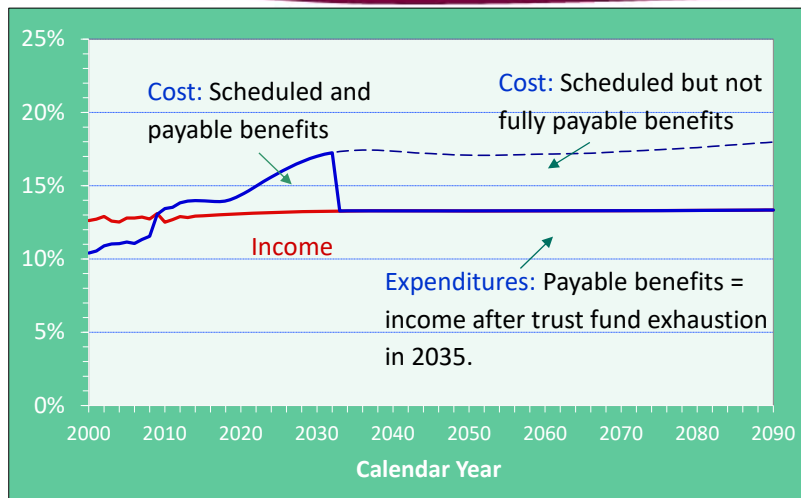
* Source: Social Security Administration, Office of the Chief Actuary

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Long-Term Projections



Payable Benefits

2021 – 2034	100%
2035	79%
2094	73%

* Source: 2021 OASDI Trustees Report

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Reform Proposal #1

1. *INCREASE maximum earnings subject to Social Security tax*

- 2022 maximum earnings is \$147,000 and increases annually for inflation
- 2022 Social Security tax rate is 12.4%
 - Employee pays 6.2%
 - Employer pays 6.2%
 - Self-employed pays full 12.4%

Reform Proposal #2

2. *INCREASE the full retirement age*

Current Full Retirement Age

Year of Birth	Full Retirement Age
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

Reform Proposal #3

3. REDUCE cost-of-living adjustments for all retirees

Annual COLAs 1983 – 2019

1983	7.40%	1995	2.90%	2007	3.30%	2019	2.80%
1984	3.50%	1996	2.60%	2008	2.30%	2020	1.60%
1985	3.50%	1997	2.90%	2009	5.80%	2021	1.30%
1986	3.10%	1998	2.10%	2010	0.00%	2022	5.90%
1987	1.30%	1999	1.30%	2011	0.00%	2023	
1988	4.20%	2000	2.50%	2012	3.60%	2024	
1989	4.00%	2001	3.50%	2013	1.70%	2025	
1990	4.70%	2002	2.60%	2014	1.50%	2026	
1991	5.40%	2003	1.40%	2015	1.70%	2027	
1992	3.70%	2004	2.10%	2016	0.00%	2028	
1993	3.00%	2005	2.70%	2017	0.03%	2029	
1994	2.60%	2006	4.10%	2018	2.00%	2030	

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Reform Proposal #4

4. REDUCE benefits for future retirees

*Escalate benefits for future
retirees based on consumer
price index rather than
wage increases*



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The Bottom Line for Baby Boomers

Your benefits are not likely to be affected by Social Security reform



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3. How Much Can You Expect to Receive?

www.ssa.gov



my Social Security

Check out your *Social Security Statement*, change your address & manage your benefits online today.



Social Security Number

Your Social Security number remains your first and continuous link with Social Security.



Retirement Estimator

Calculate your benefits based on your actual Social Security earnings record.



FAQs

Get answers to frequently asked questions about Social Security.

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Your Benefit Will Depend On:

- How much you earned over your working career
- The age at which you apply for benefits

How Benefits are Calculated

- At age 62, each year's earnings are tallied and indexed for inflation
- Highest 35 years of earnings are averaged and applied to formula to determine the benefit you will receive at full retirement age

Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1977	805	805
1978	2,914	2,914
1979	2,821	2,821
1980	1,364	1,364
1981	2,169	2,169
1982	4,599	4,599
1983	9,675	9,675
1984	18,790	18,790
1985	23,926	23,926
1986	4,013	4,013
1987	3,500	3,500
1988	11,587	11,587
1989	17,661	17,661
1990	0	0
1991	35,490	35,490
1992	55,500	74,952
1993	57,600	110,491
1994	60,600	63,888
1995	44,809	44,809
1996	40,622	40,622
1997	7,733	7,733
1998	14,368	14,368
1999	11,146	11,146
2000	8,081	8,081
2001	6,894	6,894
2002	5,645	5,645
2003	0	0
2004	0	0
2005	0	0
2006	0	0
2007	0	0

Sample Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
2008	13,101	13,101
2009	37,153	37,153
2010	31,826	31,826
2011	70,642	70,642
2012	55,463	55,463
2013	113,700	162,811
2014	0	0
2015	118,500	136,146
2016	91,906	91,906
2017	Not yet recorded	Not yet recorded

If You Apply for Benefits Early...

You will receive a percentage of your full retirement benefit

Apply at Age	If FRA = 66	If FRA = 67
62	75%	70%
63	80%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

FRA = Full Retirement Age

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If You Apply for Benefits After FRA...

You will earn 8% in annual delayed retirement credits

Apply at Age	If FRA = 66	If FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

FRA = Full Retirement Age

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Benefit Estimates are Reported in Today's Dollars

- For example, **Lisa is age 57** and will reach her **full retirement age of age 67** in 10 years
- Her current Social Security statement reads as follows

Your Estimated Benefits

***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...

your full retirement age (67 years), your payment would be about.....	\$ 2,330 a month
age 70, your payment would be about.....	\$ 2,993 a month
age 62, your payment would be about.....	\$ 1,491 a month

- But once an annual 2.6% cost-of-living adjustment is factored in, Lisa's actual benefit will be:

<u>AGE</u>	<u>2018</u>	<u>2028</u>
62	\$1,491	\$1,927
67	\$2,330	\$3,012
70	\$2,993	\$3,869

Spousal Benefits

- A spousal benefit is 50% of the other spouse's benefit if applied for at full retirement age
- For example, John and Jane (married) have both reached their full retirement age of 66:
 - John's individual benefit is \$2,000
 - Jane's individual benefit is \$800
 - Jane could apply for her spousal benefit of \$1,000 (50% of John's) rather than her individual benefit of \$800

Spousal Benefit Rules

- Primary worker must file for own benefit first
- Spouse can apply for a spousal benefit as early as age 62 but it would be reduced →
- Delayed retirement credits cannot be earned on spousal benefits

Spouse Apply Age	If FRA = 66	If FRA = 67
62	35%	32.5%
63	37.5%	35%
64	41.7%	37.5%
65	45.8%	41.7%
66	50%	45.8%
67		50%

Divorced-Spousal Benefits

- Marriage must have lasted for 10+ years
- The person applying for the divorced-spouse benefit:
 - Must be full retirement age to receive the full spousal benefit (or 62 for a reduced benefit)
 - Must be unmarried (if remarried, benefit will stop)
- The ex-spouse:
 - Must be at least age 62
 - Does not need to file for own benefit if divorce was over 2 years ago
 - Can be remarried (benefits can be paid to multiple ex-spouses)
 - Benefits paid to an ex-spouse do not impact or reduce benefits paid to a worker, current spouse or other ex-spouses

Survivor Benefits

- If a spouse dies while both spouses are receiving benefits, widow(er) may switch to the higher benefit
- **Example**
 - Jack and Jill are married and over full retirement age
 - Jack is receiving \$2,000 per month, and Jill is receiving \$1,200 per month
 - Jack dies, and Jill notifies the Social Security Administration
 - Jill's \$1,200 benefit is replaced by her \$2,000 survivor benefit

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Survivor Benefit Rules

- Must have been married at least 9 months (except in case of accident)
- Survivor must be at least age 60 for a reduced benefit (age 50 if disabled), or FRA for full benefit
- Survivor benefit not available if widow(er) remarries before age 60 (or age 50 for disabled survivor), unless that marriage ends
- Divorced-spouse survivor benefit available if the marriage lasted at least 10 years
- Actual benefit amount will depend on when the original worker claimed their benefit and when the survivor claimed their benefit

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Actual Survivor Benefit Depends on Two Factors

Jill applies at age	Jill's survivor benefit if Jack had claimed at 62		Jill's survivor benefit if Jack had claimed at 70	
60	71.5% of \$2,400	\$1,716	71.5% of \$3,168	\$2,265
61	76.2% of \$2,400	\$1,830	76.2% of \$3,168	\$2,416
62	81.0% of \$2,400	\$1,944	81.0% of \$3,168	\$2,566
63	82.5% of \$2,400	\$1,980	85.7% of \$3,168	\$2,716
64	82.5% of \$2,400	\$1,980	90.5% of \$3,168	\$2,867
65	82.5% of \$2,400	\$1,980	95.2% of \$3,168	\$3,018
66+	82.5% of \$2,400	\$1,980	100% of \$3,168	\$3,168

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4. When Should You Apply?



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Factors to Consider When Deciding When to Apply

- Health status
- Life expectancy
- Need for income
- Whether or not you plan to continue working
- Survivor needs

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Delaying Benefits Provides Bigger Checks To Start

Age at which benefits are claimed	% of PIA* if FRA = 67	Benefit without COLAs (\$)	Benefit with COLAs (\$)
62	70.00	1,960	1,960
63	75.00	2,100	2,155
64	80.00	2,240	2,358
65	86.67	2,427	2,621
66	93.33	2,613	2,896
67	100.00	2,800	3,183
68	108.00	3,024	3,527
69	116.00	3,248	3,887
70	124.00	3,472	4,263

Assumptions:

- FRA is age 67
- \$2,800 is FRA benefit
- 2.6% COLA

*PIA=Primary Insurance Amount [amount expected from Social Security at full retirement age (FRA)]

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Delaying Benefits Provides More Income Later On

Benefit at age	If claim at 62	If claim at 67	If claim at 70
70	\$2,407	\$3,576	\$4,263
75	\$2,736	\$4,065	\$4,847
80	\$3,111	\$4,622	\$5,511
85	\$3,537	\$5,255	\$6,266
90	\$4,021	\$5,975	\$7,124
95	\$4,572	\$6,793	\$8,099
100	\$5,198	\$7,723	\$9,208

Assumptions:

- FRA is age 67
- \$2,800 benefit
- 2.6% COLA

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Key Points To Remember When Applying

- If you apply early, your benefit starts lower and stays lower for life
- COLAs magnify the impact of early or delayed claiming. The longer you live, the more beneficial it is to delay benefits.
- Decision impacts survivor benefits as well. Delaying benefits may give surviving spouse more income

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5. How Can You Maximize Your Benefits?



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Improve Your Earnings Record

Examine your earnings from your latest Social Security statement

- Is it accurate?
- Are there any missing years?
- Can you improve it by working longer?

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Understand the Annual Earnings Test

If you are working and:

- You apply for Social Security benefits **BEFORE** full retirement age
 - \$1 in benefits will be withheld for every \$2 you earn over \$19,560 in 2022
 - Benefit will be adjusted at full retirement age
 - Don't let the annual earnings test discourage you from working
- You apply for Social Security benefits **AFTER** full retirement age
 - No reduction applies

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Apply for Social Security at the Right Time

Consider:

- Your current and future income needs
- Your life expectancy
- Your spouse's life expectancy

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Coordinate Spousal Benefits



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Coordinate Spousal Benefits: Maximize Benefits

- Where lower-earning spouse's FRA benefit is **MORE THAN** 50% of higher-earning spouse's FRA benefit
 - Both spouses delay to age 70
 - One spouse takes advantage of spousal benefits as allowed
- Maximizes lifetime benefits over average or long life expectancies

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Coordinate Spousal Benefits: Hybrid Strategy

- Where lower-earning spouse's FRA benefit is **LESS THAN** 50% of higher-earning spouse's FRA benefit
 - Lower-earning spouse claims early
 - Higher-earning spouse claims at age 70
- Generates income sooner while maximizing higher-earning spouse's benefit over both lifetimes

Spousal Analysis is Recommended



Understand Taxation of Benefits

Current Social Security Taxation Rules

FILING STATUS	PROVISIONAL INCOME*	BENEFIT AMOUNT SUBJECT TO TAX
Individual Head of Household Qualifying Widow(er)	Under \$25,000 \$25,000 – \$34,000 Over \$34,000	None Up to 50% Up to 85%
Married Filing Jointly	Under \$32,000 \$32,000 – \$44,000 Over \$44,000	None Up to 50% Up to 85%

Provisional income = adjusted gross income (AGI) + one-half of Social Security benefit + tax exempt interest

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Example of Savvy Tax Planning

- Age 60 – 65** Carefully bridge the gap to Medicare at age 65
- Age 66 – 70** Delay Social Security benefits and earn 8% annual delayed retirement credits
- Age 63 – 70** Utilize IRA distributions to cover expenses or make partial Roth conversions to fill up low tax brackets
- Age 70+** Begin receiving maximum Social Security benefits

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Seek Professional Guidance

What Social Security personnel can and can't do

- **They CAN**
 - Estimate individual benefits
 - Tell you the amount you are entitled to now
- **They CAN'T**
 - Project future benefits through scenario planning
 - Help with innovative strategies designed to maximize benefits

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What If You Want to Start Over?

- If you apply for benefits and decide you should not have, you can return benefits (interest free) within the first 12 months.
- If you are under age 70 and receiving your benefit, you can stop your benefit, allow it to earn any remaining delayed retirement credits, and restart it later.

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Will Government Pensions Impact You?

- Government Offset provision
- Windfall Elimination provision

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Social Security is too Important for Guesswork

Coordinate your Social Security benefits with your overall retirement plan.



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Thank you!

Questions?

Disclosure

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. To determine what is appropriate for you, please consult a qualified professional.

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Follow-up questions

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