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2018 Social Security Planning & Support Key Facts and Figures

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FULL RETIREMENT AGE (FRA) AND TIMING OF BENEFITS

FRA varies based upon year of birth and is the age at which full (100%) benefits are available.

Early retirement benefits are reduced at the rate of 5/9 of 1% per month for the first 36 months prior to reaching FRA and 1/12 of 1% for each additional month. Individuals must be at least 62 for an entire month to receive benefits. This reduction impacts survivor benefits.

Benefits increase by a certain percentage (depending upon date of birth) when retirement is delayed beyond FRA and stop accruing at age 70. For those born in 1943 or later, the annual rate of increase is 8% (2/3 of 1% per month). Delayed benefits also increase survivor benefits.

Year of birth ¹	FRA	At Age 62 ¹				At Age 70 ¹		
		A \$1,000 benefit would be reduced to	The retirement benefit is reduced by ²	A \$500 spousal benefit would be reduced to	The spousal benefit is reduced by ^{2,3}	A \$1,000 benefit would be increased to	The retirement benefit is increased by ²	A \$500 spousal benefit would be ³
1943 – 1954	66	\$750	25.00%	\$350	30.00%	\$1,320	32.0%	\$500
1955	66 & 2 mos.	\$741	25.83%	\$345	30.83%	\$1,307	30.7%	\$500
1956	66 & 4 mos.	\$733	26.67%	\$341	31.67%	\$1,293	29.3%	\$500
1957	66 & 6 mos.	\$725	27.50%	\$337	32.50%	\$1,280	28.0%	\$500
1958	66 & 8 mos.	\$716	28.33%	\$333	33.33%	\$1,267	26.7%	\$500
1959	66 & 10 mos.	\$708	29.17%	\$329	34.17%	\$1,253	25.3%	\$500
1960 and later	67	\$700	30.00%	\$325	35.00%	\$1,240	24.0%	\$500

¹ For Jan. 1 births, the benefit is figured as if the birthday (and FRA) was in the previous year; for births on the first of the month, the benefit (and FRA) is figured as if the birthday was in the previous month.

² Percentages are approximate due to rounding.

³ The maximum spousal benefit is 50% of the benefit the worker would receive at FRA (delayed credits do not apply). The percentage reduction for early retirement spousal benefit is applied after the automatic 50% reduction. The reduction is 2/3 of 1% per month for the first 36 months and 1/12 of 1% for each additional month.

COVERAGE

Eligibility and benefit provisions reflect a worker's insured status, retirement age and earnings.

"Full retirement age" is the age at which full (100%) retirement benefits are available.

"Quarters of coverage" are the units that determine insured status. One quarter of coverage is earned for each \$1,320 earned in 2018, up to a maximum of four quarters in one year.

"Fully insured" status is required to be eligible for most benefits. Generally, to be fully insured, an individual must have accumulated 40 quarters of coverage, although under some circumstances, an individual may qualify for fully insured status with as few as six quarters of coverage.

"Currently insured" status is adequate for survivor benefits to be paid to a child or surviving spouse caring for a qualifying child. Currently insured status requires six quarters of coverage in the 13-quarter period preceding the event for which eligibility is sought.

RETIREMENT, DISABILITY AND DEATH

Benefits may be paid to a worker, spouse or child, depending upon age and situation. Amounts are expressed as a percentage of an individual's primary insurance amount (PIA), which is calculated based upon average indexed monthly earnings. Retirement figures are based upon an FRA of 66.

Benefits will be paid to:	Benefits paid in the event of worker's:		
	Retirement	Disability	Death
Worker under FRA	Reduced PIA (min. age 62, 75% of PIA)	100% of PIA	N/A
Worker at FRA	100% of PIA	Disability benefits cease; retirement benefits begin	N/A
Worker over FRA	Increased PIA (max. age 70, 132% of PIA)	No benefit; retirement benefits only	N/A
Spouse age 60 or 61	No benefit	No benefit	100% of PIA, reduced for age ²
Spouse age 62 to FRA	50% of PIA, reduced	50% of PIA, reduced	100% of PIA, reduced for age ²
Spouse at or over FRA	50% of PIA	50% of PIA	Up to 100% of PIA ²
Spouse at any age caring for child under 16 (or disabled)	50% of PIA ¹	50% of PIA ¹	Up to 75% of PIA ³
Unmarried child under 18 (or any age if disabled before 22)	50% of PIA ¹	50% of PIA ²	Up to 75% of PIA ³

¹ Subject to a family maximum

² Assumes worker was fully insured

³ Assumes worker was currently insured

EARNED INCOME REDUCTIONS

Benefits are reduced if recipients exceed the threshold on earned income prior to reaching FRA; no reduction applies upon reaching FRA.

Age	Earned Income Threshold	Reductions
Prior to year of FRA	\$17,040	\$1 for every \$2 of earnings over threshold
During the year of FRA	\$45,360	\$1 for every \$3 of earnings over threshold
Reached FRA	No reduction	No reduction

Note: Unearned income does not reduce benefits. Adjustments are made to benefit amounts when clients reach FRA.

RESOURCES

Social Security Administration (SSA)
800-772-1213
www.ssa.gov

Retirement Estimator
www.ssa.gov/retire/estimator.html

Benefits Planner
www.ssa.gov/planners/index.html

Government Pension Offset
www.ssa.gov/planners/retire/gpo-calc.html

Windfall Elimination Provision
www.ssa.gov/planners/retire/anyPiaWepjs04.html

Online Benefits Application
www.ssa.gov/onlineservices

Find a Local Office
<https://secure.ssa.gov/ICON/main.jsp>

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FUNDING

Social Security's Old-age, Survivors and Disability Insurance (OASDI) program and Medicare's Hospital Insurance (HI) program are financed primarily by employment taxes (FICA).

	Tax Paid by Worker	Tax Paid by Employer	Total Tax	Applies to Earnings
OASDI	6.20%	6.20%	12.4%	Up to \$128,400
HI	1.45% ¹	1.45%	2.9% ¹	No limit
FICA	7.65% ¹	7.65%	15.3% ¹	

Note: Self-employed individuals pay the full 15.3% tax on their earnings up to the Social Security wage base and 2.9% on earnings above the wage base.

¹ As of 2013, an additional HI tax of 0.9% applies to earned income exceeding \$200,000 (single) or \$250,000 (married filing jointly). An additional net investment income tax of 3.8% applies to the lesser of an individual's unearned income for the year or MAGI in excess of \$200,000 (single) or \$250,000 (married filing jointly). This tax may also apply to estates and trusts. These additional rates are not reflected above.

GOVERNMENT PENSION OFFSET

Government Pension Offset (GPO) affects benefits for individuals receiving a spouse's or surviving spouse's benefits. If individuals receive a pension from a federal, state or local government based upon work for which they did not pay Social Security taxes, their spouse's, widow's or widower's benefits may be reduced. Under the GPO, it is possible for the spouse's or surviving spouse's benefit to be totally eliminated.

When applicable, Social Security benefits are reduced by ½ of the government pension.	Example
Monthly government pension amount	\$1,200
Monthly Social Security benefits of spouse or widow(er) before GPO	\$1,000
Reduction (½ of \$1,200)	\$800
Monthly Social Security benefits of spouse or widow(er) after GPO	\$200

Note: If a government pension is taken as a lump sum, Social Security benefit reductions still apply. In some cases, Social Security benefits are not reduced by GPO. Visit www.ssa.gov for details.

MEDICARE

Annual Income in 2016			2018		
Individual	Joint	Married Filing Separately	Part B Monthly Premium	Part B Annual Deductible	Part D Income Adjustment
\$85,000 or less	\$170,000 or less	\$85,000 or less	\$134.00	\$183	No adjustment
\$85,001 – \$107,000	\$170,001 – \$214,000	N/A	\$187.50	\$183	\$13*
\$107,001 – \$133,500	\$214,001 – \$267,000	N/A	\$267.90	\$183	\$33.60*
\$133,501 – \$160,000	\$267,001 – \$320,000	N/A	\$348.30	\$183	\$54.20*
Above \$160,000	Above \$320,000	Above \$85,000	\$428.60	\$183	\$74.80*

* In addition to the monthly premium.

KEY CONSIDERATIONS

Social Security serves as the foundation of retirement income for millions of Americans. Determining when to start taking Social Security benefits is a personal decision and one of the most important financial choices individuals make as they plan for retirement. The rules are complex, and decisions can depend upon a variety of issues. Some considerations may include:

- Life expectancy
- Earned income prior to FRA
- Health insurance/Medicare
- Expenses and future needs
- Investment income
- Pension or other income
- Income taxes
- Spousal benefits

Individuals should weigh all the facts carefully and consider their own circumstances before deciding when to start receiving Social Security benefits. For more information, visit a local Social Security office or www.ssa.gov.

TAXATION OF BENEFITS

A portion of benefits may be taxed at any age. Combined income determines the amount subject to taxation.

Adjusted gross income (AGI)
+ Nontaxable interest
+ ½ of Social Security benefits

Combined income

Filing	Combined Income	Taxable Portion of Benefits
Single	\$25,000 – \$34,000	Up to 50%
	More than \$34,000	Up to 85%
Joint	\$32,000 – \$44,000	Up to 50%
	More than \$44,000	Up to 85%

Note: Social Security benefits are included on Form 1040, line 20a. The taxable portion is included on line 20b.

WINDFALL ELIMINATION PROVISION

The Windfall Elimination Provision (WEP) may affect the benefits of retired or disabled workers who are also receiving a pension based upon work not covered by Social Security. Under the WEP, a modified benefit formula is used to calculate the amount of a retired or disabled worker's own benefit and the worker's family's benefits if the worker also receives a pension based in whole, or in part, upon his or her own earnings from noncovered employment.

While benefits may be lower using the modified WEP formula, they are never totally eliminated. The WEP reduction is limited to one-half of the pension from noncovered employment.

The WEP does not affect benefits paid to survivors of workers who received pensions based upon noncovered employment. When a worker dies, the WEP reduction is removed. The surviving spouse's benefit is refigured using the regular benefit formula.

To calculate a WEP reduction, use the WEP Online Calculator:

www.ssa.gov/planners/retire/anyPiaWepjs04.html

Note: In some cases, Social Security benefits are not reduced by the WEP. Visit www.ssa.gov for details.

