



# Your 2018 Social Security Benefit Guide

By Scott Ford, CEO, Founder & Wealth Advisor  
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Almost 62 million people depend on Social Security in one way or another. Born out of the Great Depression as a retirement safety net, it has grown to cover 96% of workers in the US.<sup>1</sup> In 2018, about 63 million Americans will receive approximately one trillion dollars in Social Security benefits.<sup>2</sup>

As can be expected with such a large-scale program, the details can be confusing and frustrating to understand at times. Even just the way the Social Security system works remains a mystery to many people, though they depend on it for their retirement security. The majority of retirees receive almost half their income from Social Security, but 91% of them don't know what factors go into receiving the maximum benefit possible.<sup>3</sup> With the decline in company pension plans and the low personal savings rate seen nationwide, making wise Social Security decisions is more important now than ever before.

Two of the most important decisions you will make are when to file for benefits and how to coordinate filing with your spouse. This guide will give you a broad overview of the Social Security system and how it works, as well as specific information on details to consider when filing for benefits.

<sup>1</sup><https://www.internations.org/usa-expats/guide/29458-social-security-taxation/us-social-security-16268>

<sup>2</sup><https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

<sup>3</sup><https://www.nationwide.com/about-us/091917-nf-social-security.jsp>

## How to Calculate Your Social Security Benefits

Your Social Security eligibility is based on how many “quarters of coverage” or “credits” you have earned. You can earn up to 4 per year and need at least 40 to be eligible for Social Security retirement benefits. In 2018, every \$1,320 of earnings gets you a “credit.”<sup>4</sup> If you aren’t sure if you have earned enough “credits” for eligibility, you can request that information from the Social Security Administration.

Once eligible, benefits are calculated based on your top 35 years’ worth of earnings. If you worked less than 35 years, it is still calculated on 35 years, but with zero earnings averaged in for the years in which you did not work. Your 35 years’ worth of wages are adjusted, or indexed, to match today’s wages, reflecting wage growth. Based on your adjusted wages, an Average Indexed Monthly Earnings (AIME) is calculated.

A Social Security benefit formula is applied to AIME to find your Primary Insurance Amount (PIA), which is the benefit payable to you at Full Retirement Age (FRA). You can receive more or less than your PIA depending on when you choose to begin receiving benefits. You become eligible for cost-of-living increases the year you turn 62, whether or not you start receiving benefits at that time. When you opt to receive your benefits does not affect the amount of your cost-of-living increase.



## Spousal Benefits

You can receive benefits based on your spouse’s record, even if you are not eligible for your own benefits. The benefit amount is 50% of your spouse’s benefit. To receive these benefits, you must be at least 62, and your spouse must already have filed for benefits.

Some divorced people are also eligible to receive spousal benefits based on their ex-spouse’s work history. In order to qualify, the marriage must have lasted at least 10 years, the spouses must have been divorced at least 2 years, the dependent spouse cannot have remarried, he or she must be at least 62 years of age, and cannot qualify for a higher benefit based on his or her own earnings record. Unlike traditional spousal benefits, the benefit earner does not need to have filed to claim their benefit for their ex-spouse to be able to begin collecting spousal benefits.

## When Can You Claim Social Security Benefits?

Social Security benefits can be claimed anytime between ages 62 and 70. However, the timing of when you choose to collect these benefits will impact the amount of benefit you receive.

## Early Retirement

You can begin receiving Social Security retirement benefits as early as age 62 if you choose or are forced into an early retirement. However, if you file to receive benefits any time before reaching your full retirement age you will receive a reduced benefit. Your basic benefit is reduced a fraction of a percent for each month you begin receiving benefits prior to full retirement age, up to 30%.

## Full Retirement Age

Full retirement age (FRA) changes based on the year you were born. For those born in 1937 and earlier, FRA is 65. After 1937, two months is added each year until FRA becomes 66 for those born between 1943 and 1954. Starting in 1955, two months a year is added again until the FRA becomes 67 for those born in 1960 or later.

If you wait until you reach full retirement age to begin collecting your social security benefits, you will receive your full Primary Insurance Amount, which is the full benefit that you have earned.

## Delayed Benefits

If you continue working past your FRA or you don't need your Social Security benefit to cover living expenses, you can delay receiving your benefits. For each year that you delay, your benefit will increase 8%, for a maximum possible increase of 32%. Your benefit is only increased until you begin receiving it or you turn 70, whichever happens first.



Year born	Full retirement age	Benefit at 62	Benefit at 65
1943-1954	66	75.0%	93.3%
1955	66 and 2 months	74.2%	92.2%
1956	66 and 4 months	73.3%	91.1%
1957	66 and 6 months	72.5%	90.0%
1958	66 and 8 months	71.1%	88.9%
1959	66 and 10 months	70.8%	87.8%
1960 or later	67	70.0%	86.7%

## What Is The Best Time To Begin Collecting Benefits?

On average, Social Security benefits make up about 40% of a typical retiree's income. This makes deciding when to claim them a critical decision. By the time you reach the point where you're making this decision, it is too late to change how much you pay into the system. Therefore, the only control you have over the amount of benefit you receive is how early or late you decide to file and claim it.

### Social Security Statement

The first step in the decision-making process is gathering the necessary information. If you are paying into the system, the Social Security Administration will send you a statement every five years, and every year once you turn 60. This is a paper statement mailed three months prior to your birthday. If you do not have a recent statement, you can view yours online by setting up an account at [ssa.gov](https://www.ssa.gov), or you can request a paper copy from the Social Security Administration.

Your social security statement includes estimates for your monthly benefit if taken at age 62, your full retirement age, or the maximum benefit at age 70. It also contains estimates of disability, family, and survivor benefits as well as Medicare information. The amounts listed are only estimates and are subject to change. They are calculated based on your date of birth and future estimated taxable earnings.

The statement will also include your earnings history. It is critical to review this for errors because this is what your benefit amount is based on. This information is particularly important if you have spent some time out of the workforce, whether to raise a family, because of a disability, or for other reasons. As benefits are calculated based on the top 35 years' earnings, it may be worthwhile to work a few more years if you find yourself with just shy of 35 years' worth of wages.

## Deciding When to Claim Benefits

Social Security benefits are calculated using complex actuarial equations based on life expectancy and estimated rates of return. They are not designed to encourage early or late retirement. They calculate it so that the amount you receive over your lifetime should be about the same whether you claim it at age 62 or 70. You either receive the money as a smaller monthly payment over a longer period of time or a larger monthly payment over a shorter period of time.

The best time for you to claim your benefits hinges on how you compare to the averages. Right now, a man turning 65 is expected to live until age 84.3 and a woman turning 65 until age 86.6.<sup>5</sup> If, based on your health and your family history of longevity, you believe you will live much longer than that, your overall lifetime benefit will be greater if you delay claiming your benefits to increase your monthly benefit amount. If the opposite is true, and you see little chance of making it into your mid 80's, you would receive a greater lifetime benefit by taking it sooner, even though it is a lower monthly payment.



<sup>5</sup><https://www.ssa.gov/planners/lifeexpectancy.html>

## When to Start Benefits

The Longer You Wait – The Larger the Benefit

Social Security Benefit = \$2,000 at Full Retirement Age 66

	Age at which benefits are claimed	% of Benefit if FRA = 66	Basic Benefit
Age 62 (Lose 25%)	62	75%	\$1,500
	63	80%	1,600
	64	87%	1,740
	65	93%	1,860
	66	100%	2,000
8% per year (+32%)	67	108%	2,160
	68	116%	2,320
	69	124%	2,480
	70	132%	2,640

Aside from life expectancy, rates of return should be considered as well. Social Security growth is calculated at the Treasury-bond rate. If you are able to invest your benefit instead of spending it, you may be better off claiming early and investing it in an effort to earn better rates of return. Then, though you start with a smaller monthly payment, the growth from your investments may leave you with more money than if you had waited to receive the Social Security Administration's increased payment.

There are helpful calculators available on the Social Security Administration website. With the Retirement Estimator at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator), you can receive an estimate of your benefit based on your actual earnings record and manipulate the numbers to reflect different scenarios. They also have Social Security Benefits Calculators that can be used to calculate future retirement benefits.

Once you decide the best time to retire and begin collecting benefits, it is important to remember to complete your application for Social Security benefits three months before the month in which you want your retirement benefits to begin.

## Maximizing Benefits As A Married Couple

Because married people have the ability to receive their own benefit or a spousal benefit, they have more to take into consideration when filing for benefits. By coordinating properly, married couples can maximize total monthly benefits.

The Society of Actuaries recommends that the lower-earning spouse begin collecting benefits early, while the higher-earning spouse waits as long as possible. That way, you can make use of the lesser benefit while maximizing the greater benefit. In many situations, it is the husband with the greater benefit and the wife with the lower one. Women also tend to live longer than men. With this strategy, you not only maximize the husband's retirement benefit for use while he is alive, but it also maximizes the wife's survivor benefit when he passes away.

## Restricted Application

In late 2015, legislation was passed that eliminated several of the claiming strategies that had been popular for married couples. One option, the Restricted Application, is still available for people who turned 62 before January 1, 2016.

Previously, anyone who reached their FRA could file to receive their spousal benefit while allowing their own personal benefit to continue growing until age 70. Their application was restricted so that they only receive the spousal benefit and not their own. In this way, people could collect some benefit in the present while maximizing future benefits.

The new legislation abolishes restrictions on applications. No longer can a worker choose which benefit they want to receive. No matter when you file, whether it is before or after you achieve FRA, you will be awarded the larger of either your personal or spousal benefit.

If you turned 62 on or before January 1, 2016, you are grandfathered in and still able to file a restricted application. The right to restrict your application no longer exists if you turned 62 after that date. You are subject to the new law. If you have been grandfathered in, though, a restricted application is not automatic. To be able to receive the spousal benefit, you still have to wait until you are 66 to file and your spouse must file as well.



## How Does Additional Income Affect Benefits?

Once you reach full retirement age, having earned income will have no effect on your Social Security benefits. However, if you begin receiving benefits before FRA, your earnings will affect your benefits. Only earned income, like wages and self-employment earnings, affect your social security benefits; not unearned income from investments, pensions, and annuities.

## Income Earned Prior to the Year You Reach FRA

Any income you earn before the year in which you reach FRA reduces your Social Security benefit once it surpasses a specific limit. For 2018, the limit is \$17,040. Once your earnings exceed that, your Social Security benefit will be reduced by \$1 for every \$2 you earn. For example, if you earn \$20,040 in 2018 you have earned \$3,000 more than the limit. Because of that, you will receive \$1,500 less from Social Security.

## How To Get Help

Figuring out the best way to claim your Social Security benefits can be complicated. You want to get it right, though, because of the impact it will have on the rest of your life. If there's ever a good time to work with a financial professional, it is now. To review your specific situation and discuss strategies to maximize your Social Security benefits, schedule an appointment by contacting us at (301) 739-8505 or by email at [scottf@cornerstonewealthgroup.com](mailto:scottf@cornerstonewealthgroup.com). Together we can come up with the best filing options for your unique circumstances.





## About Scott

Scott Ford is CEO, Founder and Wealth Advisor of Cornerstone Wealth Management Group, serving entrepreneurs, business owners, executives, and their families. The firm specializes in business liquidity strategies and SBA financing strategies. It is Scott's mission to help his clients pursue financial freedom and live a balanced and fulfilled life.

Scott is a Wealth Advisor and Registered Financial Consultant (RFC). He was recognized as one of the 20 Rising Stars of Wealth Management by Private Asset Management Magazine in 2008 based upon assets managed of \$1 million or more per client. Since 2005, Scott has been an active financial technical analyst.

Clients often choose to work with Scott because of his experience with the challenges business owners and executives face as well as his firm's disciplined process. His personal and proactive approach is designed to bring clarity and simplicity to the complex issues of financial management. For over 20 years, he has been helping his clients define and pursue their own unique version of "True Wealth."

Scott is the author of three books: *Financial Jiu-Jitsu: A Fighter's Guide to Conquering Your Finances*, *The Widow's Wealth Map: Six Steps to Beginning Again*, and the New York Times Bestseller, *The Sustainable Edge: Fifteen Minutes a Week to a Richer Entrepreneurial Life*.

He and his wife, Angie, reside in Hedgesville, WV and have two wonderful children as well as a dog and a cat. In addition to spending time with his family, Scott is a voracious reader and enjoys woodworking, Brazilian Jiu-Jitsu, golf, hunting, permaculture and beekeeping; basically anything outdoors.

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