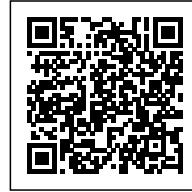




SOCIAL SECURITY RULES: SAME OL', SAME OL'

Posted on December 4, 2023 by tom-margenau



Several times every week, someone makes a comment similar to this one that I found in my inbox today: "It's so hard to stay current with Social Security because the rules are changing constantly!"

I guess I can understand why someone who is not familiar with Social Security (but suddenly takes an interest because he or she is approaching retirement age) might think that. But in fact, with one exception, there have not been any major changes to Social Security since 1983. In other words, for about 40 years now, we've been operating with essentially the same Social Security rules.

The rules for retirement benefits are fairly cut and dried. Your benefit rate is a percentage of your average monthly wage using a 35-year base of inflation-indexed earnings. The percentage is around 40% for people with average earnings. It's a lower percentage for higher-income wage earners, and a higher percentage for people with low incomes. (That's one of the "social" parts to Social Security.) Using that formula, you come up with your primary insurance amount, or PIA. (I normally do not like to use jargon, but I'm going to keep referring to the PIA throughout this column, so please indulge me this one bit of government-ese.)

If you wait until your full retirement age to start your benefits, you will get 100% of your PIA in the form of a Social Security benefit. If you start benefits before your FRA, they are reduced roughly one-half of 1% for each month a benefit is taken, down to 70% of the PIA for people who take Social Security at 62 (the earliest possible retirement age). If you delay the start of your benefits after FRA, you get a two-thirds of 1% increase added to your PIA for each month you wait. That comes out to about a 30% bonus if you don't start your retirement benefits until age 70 (the latest possible start date).

The rules for spousal benefits are also pretty simple. Usually, you will be paid your own Social Security benefit first. Only after that benefit is paid will they look to a spouse's Social Security record to see if you can get any additional benefits from a husband or wife's Social Security account.

The spousal rate is 50% of the husband or wife's PIA if you wait until your full retirement age to collect benefits. As with retirement benefits, there is a reduction if you take benefits before FRA. It is roughly one-half of 1% for each month. That comes out to about 30% of the spouse's PIA if benefits are taken at 62.

What all that means is that if you have worked and earned your own Social Security benefit, it is unlikely you will be due any benefits on a spouse's record -- while your spouse is alive. Or to put that another way, your own Social Security retirement benefit is likely to be more than one-third to one-half of your spouse's Social Security amount. It's a different story for widows and widowers, and that is explained a little later in the column.

If you are divorced and you were married to your ex for more than 10 years and you are currently unmarried, you could get benefits from

your ex -- but again, only if that 30% to 50% spousal rate pays more than your own benefit.

Earlier, I mentioned there was one exception to the fact that Social Security rules haven't changed in more than 30 years. That exception was a loophole that, for a while anyway, allowed some seniors to collect spousal benefits while delaying their own retirement benefits until age 70. But that loophole closed a couple years ago, so it's no longer an issue for those pushing retirement age now. I only mention it because internet rumors would have seniors believe they can still use that provision. But to repeat: No, you can't.

Benefits for widows (and a few widowers) are another big part of Social Security that have not changed in decades. To avoid a lot of "his/her" and "he/she" pronouns, I'm going to address this part of the column to women because statistics show that about 95% of survivor benefits are paid to women. Having said that, Social Security rules are gender-neutral, so if you are involved in a marriage where the wife made more money than the husband and thus gets a higher Social Security benefit, and if the wife dies first, the surviving husband could get widower's benefits.

Anyway, in most cases, a husband dies first, and usually after both he and his wife have been getting Social Security for a while. In other words, they are in their 70s, 80s or beyond. When that happens, the widow will almost always start getting what the husband was getting, less her own retirement benefit if she is getting one.

If the husband dies while his wife is in her early to mid-60s, and before she has started her own Social Security benefits, then she has some options. For example, she could start out collecting reduced widow's benefits and then at 66 switch to 100% of her retirement PIA, or wait until 70 to make the switch and then collect about 130% of her PIA. Sometimes (depending on the amounts involved), it works better for the widow to take reduced retirement benefits and then at 66 switch to a full widow's rate, i.e., 100% of her deceased husband's PIA.

The earliest a woman can start widow's benefits is age 60, when she would usually get about 71% of her husband's PIA. In rare cases, a disabled widow can start benefits as early as age 50. A young widow, no matter her age, with minor children at home can collect up to 75% of her deceased husband's PIA.

The other major part of Social Security is disability benefits. The rules for those benefits also haven't really changed in three or four decades. In a nutshell, you could qualify for Social Security disability benefits if you have worked and paid Social Security taxes in five out of the last 10 years and if you have a physical or mental impairment that is so severe it is expected to keep you from working for at least 12 months, or you have a condition that is terminal. And by the way, for seniors reading this, the rules say once you are over your full retirement age, disability benefits are no longer payable. Or to put that another way, once you reach that golden age, a Social Security retirement benefit pays the same rate as a disability benefit.

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