

Principal Funds

# Social Security – beyond the basics

Presenter's name

Presenter's title

Date



# Agenda

- Social Security overview
- Spousal and survivor benefits
- Advanced issues
- The Social Security opportunity

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# Social Security overview



# The history of Social Security

1935



Social Security Act signed into law; Full Retirement Age (FRA) = 65

1940



Regular ongoing monthly payments begin

1965



Medicare signed into law to strengthen the social safety net

2009



FRA increased to 66

2022



FRA gradually increased to 67

# Social Security eligibility



At least age 62 to collect benefit



Accrued 40 credits of coverage via payroll FICA taxes

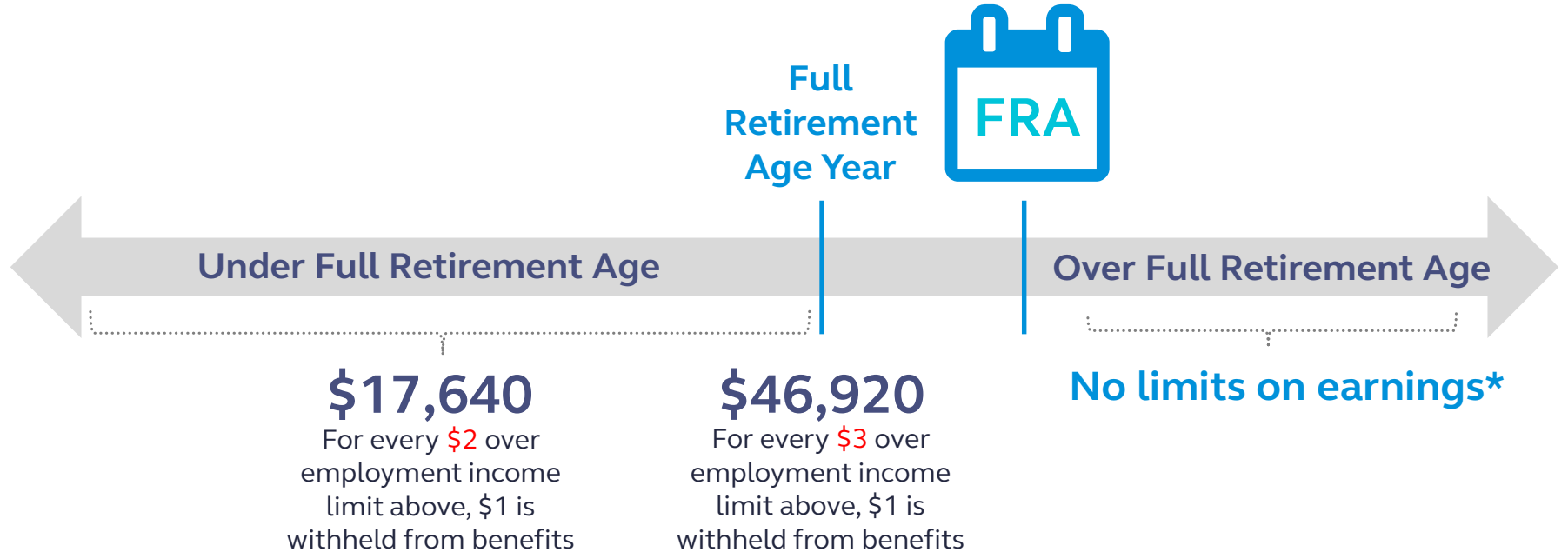


Benefit based on highest 35 years of indexed earnings



May be eligible based on spouse's (or ex-spouse's) work history

# Working while collecting



# Taxes and Social Security

## Filing Single

Provisional Income	Benefits and subject to tax
Under \$25,000	0%
\$25,000 - \$34,000	Up to 50%
Over \$34,000	Up to 85%

## Married Filing Jointly

Provisional Income	Benefits and subject to tax
Under \$32,000	0%
\$32,000 - \$44,000	Up to 50%
Over \$44,000	Up to 85%

Married couple filing separately and living together at any time during the year have zero income threshold. If not living together, they are considered as single tax filers. State and local taxes may differ.

# Spousal and survivor benefits





# Spousal Benefits

## Who's eligible

- › Age 62 or older
- › Married for at least 1 year
- › Spouse has filed for, and is receiving, their own benefits
- › Under age 62 caring for a child younger than 16

## What's the impact

- › Eligible to receive  $\frac{1}{2}$  of spouses Primary Insurance Amount (PIA) if greater than your own benefit
- › Reduced if under FRA
- › If they claim and spouse has not, they may be able to receive a higher spousal benefit later

## Divorced spousal benefits

- › Previously married at least 10 years
- › Not re-married
- › Divorced for 2 years and ex-spouse is eligible for benefits
- › Ex-spouse is receiving their own benefit

# Survivor benefits

## Who's eligible

- › Surviving spouse 60 years or older (50 if disabled), or with children under 16
- › Dependent children under 18
- › Individuals remarried at age 60 or older

## What's the impact



- › 100% of survivor benefit at FRA, reduced to 71.5 percent of full amount if claimed at 60
- › Child receives up to 75 percent of survivor benefit
- › Can choose own or survivor benefits and later change

## Divorced survivor benefits

- › Previously married at least 10 years
- › Those remarried at age 60 or older will not lose divorced survivor benefits

# Social Security case study

Full Retirement Age: 66

Example: Sam and Ann	Age 62 benefit amount	Age 66 (FRA) benefit amount	Age 70 benefit amount
Sam 	\$750	\$1,000	\$1,320
Ann 	\$1,800	\$2,400	\$3,168
Spousal benefit*	\$840	\$1,200	\$1,200

\*Changes have occurred due to the Bipartisan Budget Act of 2015.

# Social Security advanced issues



# Social Security Strategies



Social Security strategy <sup>1</sup>	Definition	Benefit
<b>Restricted Application</b>  Only available to those born before 1/2/1954	At FRA, may claim spousal benefit only, delay taking their own benefit <sup>2</sup>	Earn delayed credits and then claim higher personal benefit at a later age. May also help spouse receive greater survivor benefit
<b>Do-Over</b>	May revoke earlier claiming decision if made within 12 months of filing	Provides flexibility to cease receiving benefit if life situation changes
<b>Suspending benefit</b>	May suspend own benefit at Full Retirement Age. Also impacts spousal and/or family benefits	Receive 8% delayed credit per year

<sup>1</sup>Changes have occurred due to the Bipartisan Budget Act of 2015.

<sup>2</sup>This option is being eliminated for those who were under the age of 62 as of January 2, 2016.

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# Windfall Elimination Provision (WEP)

## Who's impacted

- Individuals receiving pensions where FICA taxes were not paid
- Commonly applies to school teachers, law enforcement, government employees
- Varies by state and public entity

## What's the impact

- A modified formula is applied to calculate the Social Security benefit
- Typically results in reduced Social Security benefits (if you have less than 30 years of substantial earnings)
- 2019 maximum reduction – Lesser of \$463 or 50 percent of government pension amount

# Government Pension Offset (GPO)

## Who's eligible

- › Government pension recipients who are also eligible for Spousal or Survivor Social Security benefits

## What's the impact

- › Results in Social Security benefits being reduced by amount equal to 2/3 of the government pension amount



# US citizens living abroad

- US citizens eligible for Social Security may receive payments
- The Social Security Administration can't send payments to some countries
- Non-US citizens may have to meet other eligibility requirements for benefits if they are “outside the US” for over 30 days
- To learn more about claiming SS benefits while abroad, visit [ssa.gov/pubs](https://ssa.gov/pubs) and look for the document “Your Payments While You Are Outside the United States”

# Dependent benefits

- › Upon filing of the worker (spouse or parent)
- › Up to ½ of worker's PIA
- › Maximum family benefits = 150% to 180% of PIA
- › Dependent children under age 18, and unmarried
- › Spouse caring for children under age 16
- › Earnings limit applies

# The Social Security opportunity



# Building your business with Social Security

- › Engage clients and prospects age 55 – 70
- › “Money in Motion”
- › Client events
- › Referral generation
- › Client retention

# Resources

- **Social Security website**  
[socialsecurity.gov](https://www.socialsecurity.gov)
- **Principal Funds Social Security website**  
[principalfunds.com/socialsecurity](https://www.principalfunds.com/socialsecurity)
- **Principal Funds Advanced Retirement Team**  
800-787-1621, option 4

# Questions?



# Disclosures

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