



Work At Home Vintage Experts

Understanding Social Security and clearing up misconceptions about taking early benefits



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Increasing a wahve's knowledge of Social Security can result in an increase in hours worked



Many preretirees don't understand how Social Security works



Ideally healthy people should defer taking Social Security



If you are working part-time/full-time and collecting benefits, you don't "lose" benefits if you earn over the earnings test, rather they are suspended and repaid

The importance of Social Security benefits

For 1 in 5 retirees, Social Security is their only source of income.

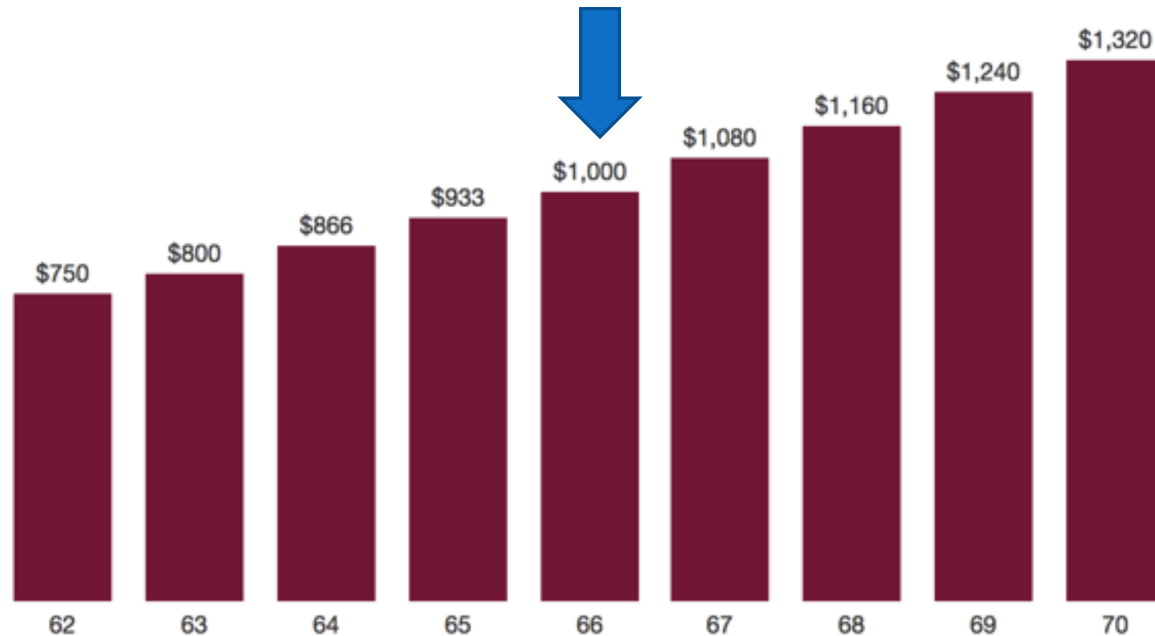
For 1 in 3 retirees, Social Security is 90 percent of their retirement income.

For 2 in 3 retirees, Social Security is more than 50 percent of their retirement income.

A person that has less than 35 years of work earnings for Social Security can increase their benefit by working even part-time because it will drop off a year where they had “zero” earnings. The calculation is based on a person’s highest 35 years of employment earnings.

Healthy people should work longer and postpone taking Social Security

A potential \$1,000 Social Security payout changes with age



Options for suspending an early Social Security claim

1. A person can make a one-time withdrawal of the original application made within 12 months of the initial benefit payment which requires the paying back of benefits received in a lump sum.
2. If benefits are claimed prior to full retirement age and the person earns more than the earnings limit, they will have benefits withheld; but at full retirement age, benefits will automatically increase to reflect the withheld benefits. There is *no loss* of benefits.
3. Between ages 62 and full retirement age, except for #1 above, there is no other way to voluntarily suspend benefits, but at full retirement age, a person can voluntarily suspend benefits to a later age to increase the benefit (refer to slide 4).

The “Earnings Test”: benefits are deferred not lost

If a worker is collecting benefits prior to their Full Retirement Age (ages 65 – 67 depending on their DOB), the benefits will be offset by **\$1 for every \$2** earned over the earnings limit. For 2019, the limit is \$17,640. In the year a worker reaches full retirement age, \$1 in benefits is deducted for every \$3 they earn above a different limit. In 2019, the limit is \$46,920 but earnings are only counted before the month the worker reaches their full retirement age.

Once a worker attains full retirement age, forced suspension ends under the earnings test and a worker can receive benefits and work full-time without it impacting their benefit.

The law does allow, however, that a worker in pay status who then reaches full retirement age can voluntarily suspend benefits. Taking this action is a way to increase benefits, as suspended benefits earn deferral credits.

Restoration of suspended benefits

If benefits are withheld, they are recalculated (increased) at full retirement age.

- The benefits recalculation is tied to the number of months benefits are lost under the earnings test.
- Example: Collin claims benefits at age 62 and due to the earnings test he has lost 6 months of benefits by the time he attains full retirement age. In his case, benefits are recalculated at full retirement age assuming that retirement began at 62 and 6 months.

It is also worth mentioning that another more common option for someone who wants to reconsider is called *voluntary suspension*. This allows a beneficiary to voluntarily elect to stop workers benefits at or after full retirement age and begin again later, giving them the ability to increase benefits based on the period that benefits.

Summary of relevant points

- Social Security rules are complex. Understanding the nuances can increase benefits.
- Many people don't realize the lifetime impact of starting benefits early.
- If a person is collecting Social Security early they can repay the benefits within 12 months of starting them.
- If a person is collecting Social Security early they can suspend their benefit when they reach Full Retirement Age thus increasing their benefit.
- If a person does have some of their Social Security benefits offset due to the earnings test those benefits are not lost just deferred to their Full Retirement Age and then recalculated.
- Even working part-time can help a person who has less than 35 years of earnings by dropping a zero from their earnings history.

This discussion is intended to be brief. Social Security's rules can be complex. Be sure to refer to www.ssa.gov for a more detailed discussion.