

10 Social Security Questions & Answers

For Financial Advisors

Social Security is nearly 90 years strong. The program was designed in 1935 to:

- 1) Provide a baseline of income in retirement.
- 2) Ensure a social safety net for workers and families.
- 3) Be fair for all.

Benefit payments are calculated based on each individual's 35 highest years of earnings (indexed for wage inflation) and their Full Retirement Age (FRA). The benefit is modest. In 2023:

- Average benefit for men: \$22,000/yr or \$1,830/mo
- Average benefit for women: \$17,000/yr or \$1,400/mo

Maximum calculated benefit payment for those who reach FRA in 2023:

- \$43,500/yr
- \$3,600/mo



Social Security publishes a fact sheet with more details each year after the COLA is announced. Check out the [2023 COLA fact sheet](#) to find the maximum payout benefit, taxable wage base, and other current information.

Questions & Answers	Resources
<p>Q1. When is Social Security going bankrupt?</p> <p>A1. It's not. FICA taxes from current workers fuel the Trust Fund. Changes are needed to secure the Reserve Account—and it takes an act of Congress to change the Social Security laws.</p>	<ul style="list-style-type: none">▪ Social Security Trust Fund Report is generally issued each June. <p>2022 Trust Fund Report (released 6/2/22) 2023 Trust Fund Report (released 3/31/23)</p>
<p>Q2. What's the importance of a client's Full Retirement Age or FRA?</p> <p>A2. It is the age when Social Security deems one to be "retired." Once a client reaches FRA, penalties, reductions, and clawbacks to benefits no longer apply.</p>	<ul style="list-style-type: none">▪ Each individual has an FRA based on birth year.▪ Surviving spouse FRAs may be earlier than retirement FRAs. <p>Find Retirement FRAs here Find Survivor FRAs here</p>
<p>Q3. How are Social Security retirement benefits calculated?</p> <p>A3. Based on each person's highest 35 years of indexed earnings and their Full Retirement Age.</p>	<ul style="list-style-type: none">▪ Each client should set up a personal account. Then, access their statement & earnings record each year in March. <p>SSA.gov/mySocialSecurity</p>

10 Social Security Questions & Answers (con't)

For Financial Advisors

Questions & Answers (continued)

Resources

Q4. Will there be a high COLA again this year?

A4. We won't know until the end of Q3. Cost of living adjustment is based on the CPI-W. The Q3 average of the current year is compared to the Q3 average of the prior year.

- Don't fall for early predictions! Wait until end of September to help clients plan any increase.

[Track the data from the SSA Actuaries](#)

Q5. Where does Social Security fit into a retirement cash flow?

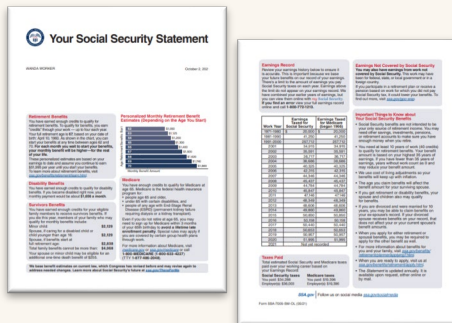
A5. It is the bottom layer of the cake, the foundation to retirement income.

- Take special care with clients with state or union pensions. WEP can greatly reduce Social Security benefits.

[Use the WEP chart on SSA.gov](#)

Q6. Can I just use the estimates on a client's statement?

A6. No.



- It's important to account for each client's unique situation. Look for applicable reductions to the estimate:
 - Underlying assumptions about work and future earnings
 - WEP/GPO for those with state pensions
 - Earnings limit
 - Taxes
 - Medicare Part B premiums and IRMAA



The Center on Budget & Policy Priorities is a non-partisan research and policy institute. One area of their expertise is in Social Security. For an excellent explanation of how the Social Security Trust Funds work, [read their 2-pager](#).

Q7. Isn't the Social Security benefit 40% of a client's income?

A7. No. Social Security benefits are calculated based on each client's Average Indexed Monthly Earnings (AIME), then split into tiers based on annual bend points. Benefits are a percent of each client's earnings history.

- This article explains the progressive nature of the Social Security insurance benefit:

[Read more about benefits relative to income.](#)

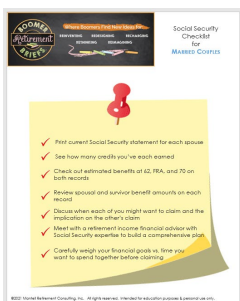
10 Social Security Questions & Answers (con't)

For Financial Advisors

Questions & Answers (continued)	Resources
<p>Q8. How should I think about the breakeven?</p> <p>A8. Social Security is not an asset, but rather an income stream paid monthly. The B/E is always around age 80. The more important question is: how long will your client live and need higher income?</p>	<ul style="list-style-type: none">For more on breakevens, google “Social Security breakeven calculators” <p>Or read this article from Investopedia</p>
<p>Q9. Can a client undo a claim or is it irrevocable?</p> <p>A9. Generally, claiming is irrevocable, except in two situations. The “do over” requires repayment within the first year. The voluntary suspend can be requested at FRA.</p>	<p>Details for withdrawing a claim (do over) are here.</p> <p>Information to voluntarily suspend are here.</p>
<p>Q10. Should clients take the 6-month retroactive lump-sum payment offer when claiming after FRA?</p> <p>A10. No! And warn clients about this “offer.”</p>	<ul style="list-style-type: none">Marcia Mantell wrote an article about this situation. It’s no bonus to take the lump-sum! <p>Read the article in Retirement Daily</p>



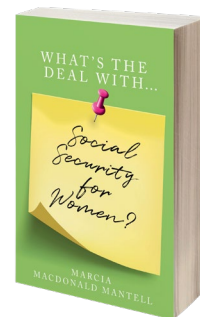
Marcia Mantell has written scores of articles about Social Security, the viability of the program, and why becoming insolvent assures failure for retirement income success. [Check out her articles in Life & Health Advisor Magazine – Guest Columns](#)



Marcia Mantell supports financial advisors and their clients in making better Social Security decisions. She provides individual consultations and offers webinars for your value-add programs. Contact Marcia for more information.

Marcia.Mantell@MantellRetirement.com

781-559-8260



[Download free Social Security checklists](#) to help clients based on their claiming category.

[Marcia's Social Security book](#) is full of real examples and situations. Discounts for bulk orders.