

UNDERSTANDING SOCIAL SECURITY



THE RETIREMENT GROUP_{LLC}
PARTNERS IN RETIREMENT

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Approximately 67 million people today receive some form of Social Security benefits, including retirement, disability, survivor, and family benefits. Although most people receiving Social Security are retired, you and your family members may be eligible for benefits at any age, depending on your circumstances.

How does Social Security Work?

The Social Security system is based on a simple premise: Throughout your career, you pay a portion of your earnings into a trust fund by paying Social Security or self-employment taxes. Your employer, if any, contributes an equal amount. In return, you receive certain benefits that can provide income to you when you need it most – at retirement or when you become disabled, for instance. Your family members can receive benefits depends on several factors, including your average lifetime earnings, your date of birth, and the type of benefit that you're applying for.

Your earnings and taxes you pay are reported to the Social Security Administration (SSA) by your employer, or if you are self-employed, the Internal Revenue Service (IRS). The SSA uses your Social Security number to track your earnings and benefits.

How Social Security is Calculated

Assuming you're qualified, Social Security will evaluate your entire lifetime earnings record to determine your initial monthly benefit. Each year's earnings, up to the Social Security taxable maximum, is indexed for inflation, and the 35 highest years are considered. If your work history has fewer than 35 years, the missing years will be counted as "zeros".

The top 35 inflation-indexed years are average together and divided by 12 to produce your average indexed month earnings, or AIME. This average is then applied to a formula to determine your primary insurance amount, or PIA, which is your initial monthly benefit at full retirement age. For 2018 the formula is:

- 90% of the first \$896
- 32% of the amount greater than \$896 but less than \$5,399
- 15% of amount in excess of \$5,399



Social Security Eligibility

When you work and pay Social Security taxes, you earn credits that enable you to qualify for Social Security benefits. You can earn up to 4 credits per year, depending on the amount of income that you have. Most people must build up 40 credits (10 years of work) to be eligible for Social Security retirement benefits, but need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivor benefits.

The amount of earnings that is necessary for one credit has increased over time, and is \$1,320 in 2018. You can earn a maximum of four Social Security credits per year, so this means that you'll need to have earned \$5,280 (inflation-adjusted) in each of 10 or more years.

Your Retirement Benefits

Your Social Security retirement benefit is based on your average earnings over your working career. Your age at the time you start receiving Social Security retirement benefits also affects your benefit amount. If you were born between 1943 and 1954, your full retirement age is 66.

You can also choose to delay receiving retirement benefits past full retirement age. If you delay retirement, the monthly Social Security benefit that you eventually receive will be as much as 8% higher. That's because you'll receive a delayed retirement credit for each month that you delay receiving retirement benefits, up to age 70. The amount of this credit varies, depending on year of your birth.

Disability Benefits



If you become disabled, you may be eligible for Social Security disability benefits. The SSA defines disability as a physical or mental condition severe enough to prevent a person from performing substantial work of any kind for at least a year. This is a strict definition of disability, so if you're temporarily disabled, don't expect to receive Social Security disability benefits – benefits won't begin until the sixth full month after the onset of your disability. Because processing your claim may take some time, apply for disability benefits as soon as you realize that your disability will be long term.

Family Benefits

If you begin receiving retirement or disability benefits, your family members might also be eligible to receive benefits based on your earnings record. Eligible family members may include:

- Your spouse age 62 or older, if married at least 1 year
- Your former spouse age 62 or older, if you were married at least 10 years
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled
- Your children under age 18, if unmarried
- Your children under age 19, if full-time students (through grade 12) or disabled
- Your children older than 18, if severely disabled

Each family member may receive a benefit that is as much as 50% of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150%-180% of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member's benefit will be reduced proportionately. Your benefit won't be affected.

Survivor Benefits

When you die, your family members may qualify for survivor benefits based on your earnings record. These family members include:

- Your widow(er) or ex-spouse age 60 or older (or age 50 or older if disabled)
- Your widow(er) or ex-spouse at any age, if caring for your child who is under 16 or disabled
- Your children under 18, if unmarried
- Your children under age 19, if full-time students (through grade 12) or disabled
- Your children older than 18, if severely disabled
- Your parents, if they depended on you for at least half of their support

Your widow(er) or children may also receive a one-time \$255 death benefit immediately after you die



Expected Changes for 2019

1. Beneficiaries will see a 2.8% increase in payments

More than 67 million Social Security beneficiaries will see a 2.8% cost of living adjustment (COLA). This increase is meant to counteract the effect of inflation. The Bureau of Labor Statistics calculates the Consumer Price Index for Urban Wage Earners and Clerical Workers, and this calculation ensures that your Social Security check has the same buying power that it did the previous year. If the CPI-W increases more than 0.1% year-over-year between the third quarter of the previous year and the third quarter of the current year, Social Security will raise your check by the same amount.

The 2.8% bump in 2019 represents a 0.8% increase over last year's 2% COLA and the largest increase since 2012, when benefits went up 3.6%.

2. Maximum taxable earnings will increase to \$132,900

In 2018, employees were required to pay a 6.3% Social Security tax (with their employer matching that payment) on income up to \$128,400. Any earnings above that amount were not subject to the tax. In 2019, the tax rate will remain the same at 6.2%, but the tax cap will increase to \$132,900.

The flip side of this is that as the taxable maximum increases, so does the maximum amount of earnings used by the SSA to calculate retirement benefits. In 2018, the maximum monthly Social Security benefit for a worker retiring at full retirement age was \$2,788. In 2019, the maximum benefit will increase \$73 per month to \$2,861.

Expected Changes for 2019

3. Full retirement age will continue to increase

For those who turn 62 in 2018, full retirement age is 66 and four months. But for those who turn 62 in 2019, the full retirement age will increase to 66 and six months. Full retirement age is set to increase by two months each year until it hits 67. So, for anyone born in 1960 or later, full retirement age will be 67 (see below).

Year you were born:	Full retirement age is:
1943-1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 and later	67



Expected Changes for 2019



4. Earnings limits will increase

Prior to reaching full retirement age, you will be able to earn up to \$17,640 in 2019. After that, \$1 will be deducted from your payment for every \$2 that exceeds the limit. The 2019 annual limit marks a \$600 increase over 2018's limit of \$17,040.

If you reach full retirement age in 2019, you will be able to earn \$46,920, up \$1,560 from 2018's \$45,360 annual limit. For every \$3 earned over the 2019 limit, your Social Security benefits will be reduced by \$1, but it will only apply to money earned in the months prior to hitting full retirement age. Once you hit full retirement age, no benefits will be withheld if you continue working.

Expected Changes for 2019



5. Social Security disability thresholds will increase

About 10 million Americans qualify for Social Security disability payments, and those thresholds are also increasing slightly in 2019. The legally blind will receive a maximum of \$2,040 a month, an increase of \$70 a month over 2018. For the non-blind, the maximum benefit will increase \$40 a month to \$1,220.

6. You can view your COLA notice online

For the first time this year, most Social Security recipients will be able to view their COLA notice online through their mySocialSecurity account in December. Previously, the COLA notice had been delivered through mail. Notices will still be mailed this year, but in the future, recipients will be able to choose whether to receive their notice online or by mail.

Applying for Social Security Benefits

The SSA recommends apply for benefits online at the SSA website, but you can also apply by calling (800) 772-1213 or by making an appointment at your local SSA office. The SSA suggests that you apply for benefits three months before you want your benefits to start. If you're applying for disability or survivor benefits, apply as soon as you are eligible.

Depending on the typed of Social Security benefits that you are applying for, you will be asked to furnish certain records, such as a birth certificate, W-2 forms, and verification of your Social Security number and citizenship. The documents must be original or certified copies. If any of your family members are applying for benefits, they will be expected to submit similar documentation. The SSA representative will let you know which documents you need and help you get any documents you don't already have.

Sources

- [1] <https://www.investopedia.com/retirement/social-security-changes/>
- [2] <https://www.ssa.gov/pubs/EN-05-10024.pdf>
- [3] <https://www.fool.com/retirement/2017/12/03/your-2018-guide-to-social-security-benefits.aspx>
- [4] <https://www.blackrock.com/investing/literature/brochure/social-security-brochure-us-us.pdf>

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About The Retirement Group

The Retirement Group is a nation-wide group of financial advisors who work together as a team. We focus entirely on retirement planning and the design of retirement portfolios for transitioning corporate employee. Each representative of the group has been hand selected by The Retirement Group in select cities of the United States. Each advisor was selected based on their pension expertise, experience in financial planning, and portfolio construction knowledge.

TRG takes a teamwork approach in providing the best possible solutions for our clients' concerns. The Team has a conservative investment philosophy and diversifies client portfolios with laddered bonds, CDs, mutual funds, ETFs, Annuities, Stocks and other investments to help achieve their goals. The team addresses Retirement, Pension, Tax, Asset Allocation, Estate, and Elder Care issues. This document utilizes various research tools and techniques. A variety of assumptions and judgmental elements are inevitably inherent in any attempt to estimate future results and, consequently, such results should be viewed as tentative estimations. Changes in the law, investment climate, interest rates, and personal circumstances will have profound effects on both the accuracy of our estimations and the suitability of our recommendations. The need for ongoing sensitivity to change and for constant re-examination and alteration of the plan is thus apparent.

Therefore, we encourage you to have your plan updated a few months before your potential retirement date as well as an annual review. It should be emphasized that neither The Retirement Group, LLC nor any of its employees can engage in the practice of law or accounting and that nothing in this document should be taken as an effort to do so. We look forward to working with tax and/or legal professionals you may select to discuss the relevant ramifications of our recommendations.

Throughout your retirement years we will continue to update you on issues affecting your retirement through our complimentary and proprietary newsletters, workshops and regular updates. You may always reach us at (800) 900-5867.

**For more Financial information,
check out these resources...**



The Retirekit 65+



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