

## Will Social Security Have You Covered?

Let's go over the basics.



Planning for your retirement can be pretty exciting. But sometimes it can also be a little confusing — especially when it comes to Social Security.

This Q&A can help answer your questions. If you want to learn more, go to the Social Security Administration's website at [ssa.gov](http://ssa.gov), or call them at 800.772.1213.

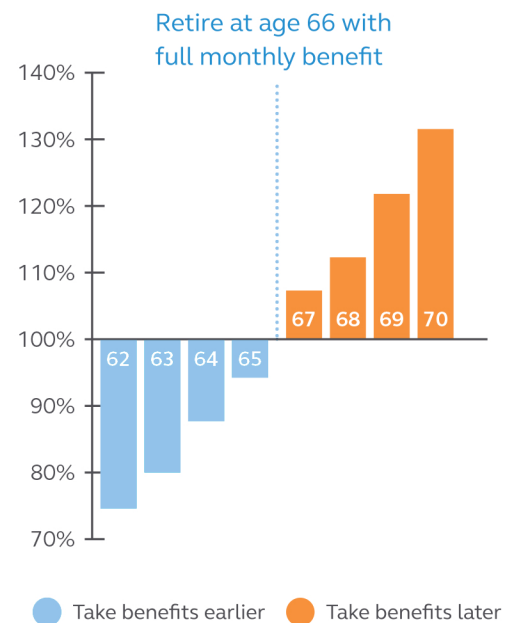
### Q. When should I start Social Security benefits?

A. Timing is really important. That's because the program rewards people for waiting to start their benefits. If you retire at what Social Security calls your "full retirement age," you'll get your full benefit. (Your full retirement age is 66 or 67, depending on what year you were born.<sup>1</sup>)

In general, the longer you wait (up until age 70), the bigger your benefit. So if you can get by without Social Security for a while, waiting to start might be a good idea.

That said, sometimes it can make sense to start Social Security sooner rather than later. Someone might start earlier if he or she:

- Needs the payments to cover expenses right away
- Has serious health problems or a family history of shorter life spans
- Would rather take payments early and invest them
- Is the lower-earning spouse, while the higher earner continues to remain employed



Assuming full retirement age at 66.  
Source: Social Security Administration

<sup>1</sup> [www.ssa.gov/planners/retire/retirechart.html](http://www.ssa.gov/planners/retire/retirechart.html)

## Q. How much will I get from Social Security?

A. You can get an estimate of your benefits. Just create a “my Social Security” account at [ssa.gov](https://ssa.gov).

Your benefit amount will depend on a lot of things, like:

- How much you earned during your working years
- When you start benefits
- Whether or not you work during retirement

## Q. Will Social Security be enough?

A. Probably not. Social Security wasn’t designed to be anyone’s only source of retirement income.

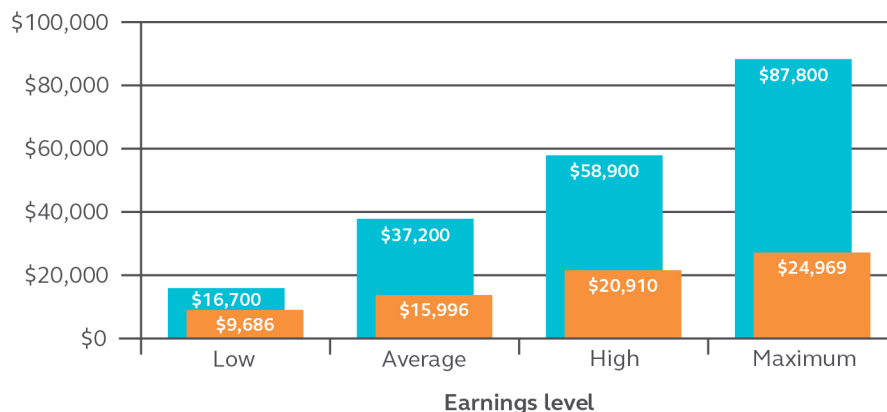
If you’re an average income earner hoping to have 80–100 percent of your pre-retirement income, you can plan to collect about 40 percent of that income from Social Security.

### Social Security benefits compared to past earnings: low, average, high and maximum earner

- Past earnings (average earnings during working career)
- Social Security benefits

Source: 2016 Social Security Board of Trustees Report. Low earnings are 45 percent of the average wage; high earnings are 180 percent of the average wage. Retirement age 66.

Social Security benefits are subject to change without notice.



## Q. What if I work during retirement?

A. That can be a little tricky — but just until you reach your full retirement age (66 for most people; 67 if you were born in 1960 or later). Let’s say you start your Social Security benefits before your full retirement age. If you also work during that time, your benefit could be reduced if your wage is over certain limits. (See the chart below for details.)

But there’s some good news. Once you reach your full retirement age (FRA), you can work with no reduction to your benefit — no matter how much you earn.

Age	Employment income 2016 limits	Considerations
Under FRA	\$15,720	For every \$2 over the limit, \$1 is withheld from benefits
In the year FRA is reached	\$41,880	For every \$3 over the limit, \$1 is withheld from benefits until the month in which FRA is reached
At FRA or older*	No limits on earnings	At FRA or older*

\*At FRA your benefit amount is adjusted upward to accommodate for the earlier reduction.

## Q. Do I have to pay taxes on Social Security benefits?

A. Maybe. Depending on something called your “provisional income” (which is your adjusted gross income plus any tax-exempt interest and half of your Social Security benefits), you may have to pay taxes on up to 85 percent of your Social Security benefit. These tables show how much of your Social Security income is taxable, depending on your filing status and provisional income:

### Filing single

Provisional income	Benefits 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 subject to tax
Under \$32,000	0%
\$32,000 – \$44,000	Up to 50%
Over \$44,000	Up to 85%

Note: State and local taxes may differ.  
Source: Social Security Administration

The moral of this story? If you think you’ll have a lower provisional income later in retirement, waiting to start your Social Security benefits may help you save on taxes. Calculating your provisional income can be tricky; a financial or tax professional can help you weigh your options.

## Q. Do my Social Security decisions affect my spouse’s benefits?

A. Yes — and vice versa. If you’re married and full retirement age or older, you’ll receive either your own Social Security benefit or one-half of your spouse’s benefit, whichever is greater. This is known as a spousal benefit. (This also applies if you’re divorced after being married at least 10 years, as long as you aren’t currently married to someone else.)

This can be a good option if one spouse has earned a lot less than the other over the years. (Your spouse must start his or her own Social Security benefits for you to use this strategy.)

Also, delaying Social Security can increase the benefits for a surviving spouse. When one spouse dies, the other can usually get the greater of his or her existing benefit or the deceased spouse’s benefit. So, if the higher earner waited to start their benefits until their FRA or later, their benefit will be that much higher for the surviving spouse.

## Q. What if I make a mistake?

A. Good news! Social Security offers a do-over.

This little-known provision lets you stop your current benefits, pay back all you’ve collected (interest-free!) and restart your benefits at a new, higher rate based on your current age.

You can only do this once — within 12 months of your initial decision to start benefits.

How do you know if this is a good idea for you? You have to make sure you have the ability to pay back all the benefits you’ve received. So you may want to consider it if you have a high net worth or have a windfall from an inheritance or the sale of a business.



## Get your estimate

Here's another question. What's the smartest thing you can do when you're planning your Social Security strategy? Get your benefit estimate.

It's easy and fast. Just create a "my Social Security" account at [ssa.gov](https://ssa.gov). If you still have questions about Social Security, a financial advisor can help you understand your options.

## Count On Us



833.224.5660 or [info@oswaldfinancial.com](mailto:info@oswaldfinancial.com)

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