

For more articles and White papers, visit  
our website [www.mamportfolios.com](http://www.mamportfolios.com)

## SOCIAL SECURITY PLANNING

(Originally Published in August 2013 Monthly Commentary)



**STEVE MCCARTHY CPA, CFP®**,  
Owner and Principal  
Three Lagoon Drive, Suite 155  
Redwood Shores, CA 94065  
650 610-9540 x 303  
[steve@mamportfolios.com](mailto:steve@mamportfolios.com)

*“Choosing the correct method for  
receiving benefits may mean  
thousands of additional dollars  
during retirement ”*

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio management and Tax Planning.



In helping our clients prepare for a financially secure retirement and in running the [Retirement Analysis](#), we found that Social Security benefits are an integral part of the retirement income stream for most of our clients. Choosing the correct method for receiving benefits may mean thousands of additional dollars during retirement and could even make the difference between achieving your retirement goals and falling short. We have addressed this topic before in our [webinar](#) (a replay of which is available on our [website](#)).

Understanding the different strategies available to retirees is crucial to success, but according to the [2010 Survey by the Pension Research Study](#), only a small percentage of Americans understand how benefits are calculated, taxed and adjusted. While it is not feasible to fully describe all the benefits and strategies within the confines of this article, we will touch on several key facts which we believe can make a difference in the quality of your retirement. Here are some interesting facts:

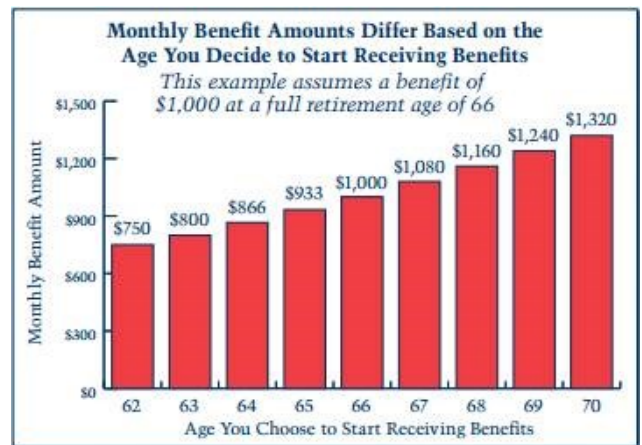
- **You can qualify for up to 132% of your regular Social Security Benefits** if [you choose to delay receiving benefits](#). If your [age of eligibility](#) for full retirement is 66 (for people born between 1943 and 1954), you may opt to receive your first check as early as 62, in which case you receive only 75% of what you would receive if you waited until your full retirement age (FRA) of 66. Delaying your benefits beyond FRA gives you an 8% annual raise up to 132% of your FRA benefits if you wait until 70 before collecting.
- **You can qualify for ½ of your spouse’s benefits**. [The amount of your benefit is derived by applying a formula to your 10 highest-income years](#). Which means that if your spouse made more money than you over his or her career, you may be better off filing for **spousal benefits** rather than your own. Spousal benefits are 50% of your spouse’s if you apply at a FRA of 66 and 35% if you apply early at 62. It is also possible for one spouse to collect spousal benefits, while building up their own, and then switching to a higher check later (a valuable strategy called [“file-and-suspend”](#)). Coordinating spousal benefits is one of the more complex areas of Social Security, but it can provide a way to maximize benefits. The rules are complicated, and you must follow them carefully.

• **Divorce and Widowhood** may also affect the amount of your benefits:

- You can receive benefits based on your ex-spouse's work record if the marriage lasted at least 10 years and you are currently unmarried. If you and your spouse were divorced for at least two years, your ex-spouse does not need to file for their benefits in order for you to receive yours.
- If your spouse is deceased, you may apply for survivor benefits as early as age 60 (50 if you are disabled). The survivor benefit is 100%, assuming you apply at a Full Retirement Age. If you re-marry before reaching age 60, your survivor benefits will stop.

**Working and Income:**

- **Working:** If you are younger than full retirement age, there is a limit to how much you can earn and still receive **Social Security benefits**. If you are younger than full retirement age during all of 2013, \$1 will be deducted from your benefits for each \$2 you earned above \$15,120. It is important to note, though, that these benefit reductions are not truly lost. Your benefit will be increased at your full retirement age to account for benefits withheld due to earlier earnings.
- **Taxation of Benefits:** Your benefits may be taxable, based on how much income you earn, including pension, investments, and even income from tax-free bonds. If your combined income (Adjusted gross income (AGI) plus 1/2 of your social security benefits plus any tax-free income) exceeds a certain threshold prescribed by the IRS, then up to 85% of it may become taxable



**Medicare-** It used to be the case that a retiree would apply for both Social Security and Medicare at age 65. Now that the full retirement age for Social Security is increasing, baby-boomers become eligible for Medicare before their full retirement age. The important thing to remember is that if you decide to delay receiving Social Security benefits because you are working, you need to proactively apply for Medicare to avoid penalties. Missing the sign-up date may result in higher Medicare premiums. Your monthly premium increases 10 percent for each 12-month period you were eligible for, but did not enroll in, Medicare Part B.

The Social Security rules are complex. Luckily, there are many online resources available. Here is a listing of some of the most useful websites:

- ◆ [Social Security Administration](#)
- ◆ [AARP SS benefit estimator](#)

## Our Services

### Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

### Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained several outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

◆ [T.Rowe Price Social Security benefits evaluator](#)

- ◆ [Kiplinger Upcoming Webcast:](#) On September 23rd at 6 p.m. eastern time, Kiplinger will be providing a free 45-minute webcast that will tell you how to get the most out of Social Security. If you are interested, you can register at: [Kiplinger.com/go/social](http://Kiplinger.com/go/social)

At MAM, we recently purchased a license to "Maximize My Social Security", a Social Security analysis tool developed by Laurence Kotlikoff, Professor of Economics at Boston University. With the help of this tool we can run an analysis to help you decide when and how to collect retiree, spousal, survivor, divorcee, parent, and/or child benefits to help maximum your highest lifetime benefits. For more information, visit our website to view a [recording of our webinar](#) or contact us directly.