

Social Security 2025

What's Changed & It's Affects

Dallas Convergence 2025

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What's Changed

- Maximum Earnings subject to FICA \$176,100
- Earnings Test \$23,400
- Earnings Test Yr Reach FRA \$62,160

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What Hasn't Changed

- Congress has done absolutely nothing to address the upcoming shortfall!
- Around To It

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OASDI
Trust Fund
Drawdown
Begins

Trust fund balance on 12/31/23: **\$2.788 trillion**

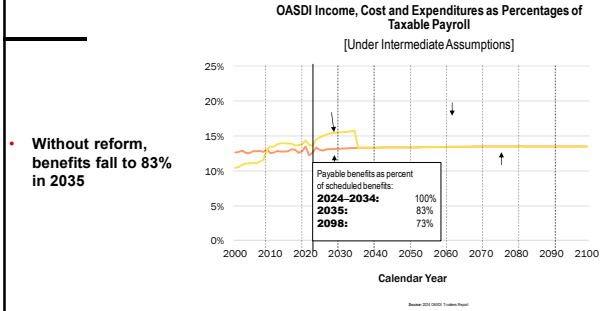
2024 results

- Total income: \$1.418 trillion
- Total expenditures: \$1.485 trillion
- Net decrease in assets: **-\$67 billion**

Trust fund balance on 12/31/24: **\$2.721 trillion**

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Long Term Projections

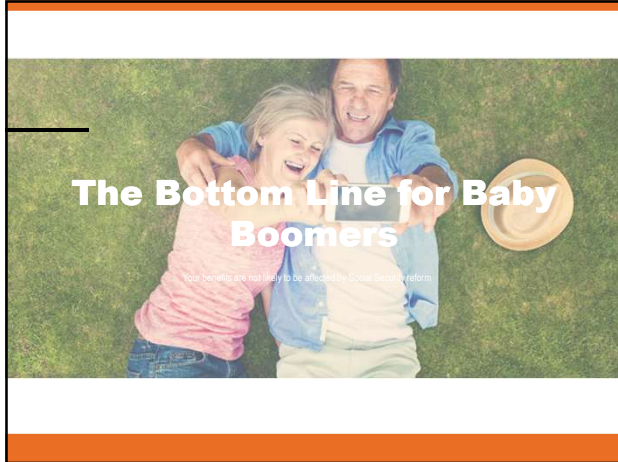


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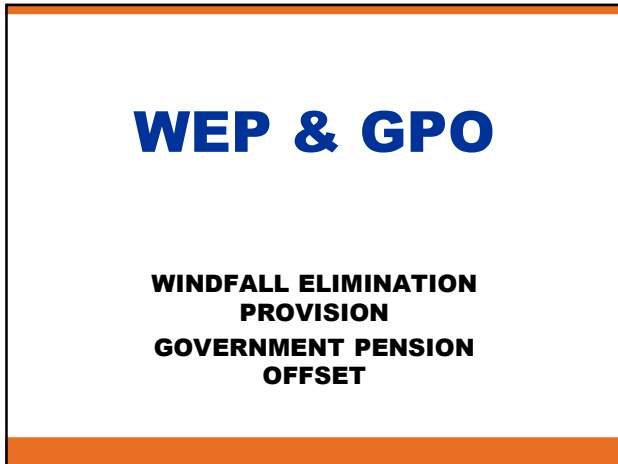
Possible Solutions

- Change FRA from 67
- Increase the Amount of Earnings Subject to FICA
- Increase the FICA Tax from 6.2%
- Subject Non Earned Income to FICA
- Change the COLA Formula
- Any Combination of the Above

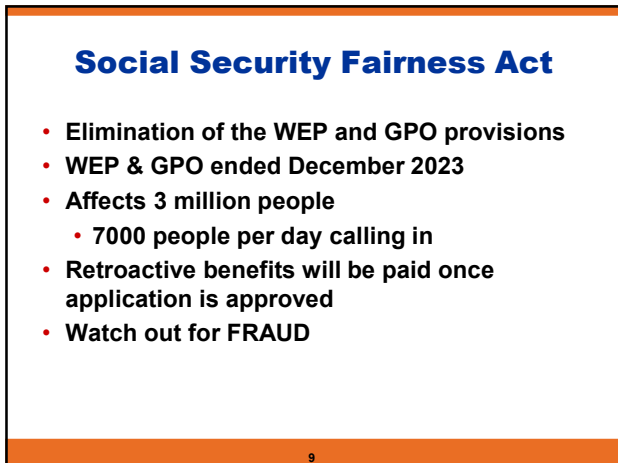
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History of WEP & GPO

- Signed into law in 1977 to equalize Social Security benefits to individuals who receive a pension from a job where they did not pay FICA taxes
- WEP dealt with one's own Social Security benefits
- GPO dealt with Spousal Benefits one might receive

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WEP

- **WEP** think of the **WORKER**
- If you worked for a government agency or an employer who does not withhold Social Security taxes
- Any pension you get based upon that work **MAY** reduce your Social Security Benefits
- If you qualify for Social Security Benefits as well (40 Quarters) **ON YOUR OWN RECORD**
- Substantial Earnings

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Substantial Earnings

- Less than 20 years = **Maximum WEP Reduction**
- Between 20 & 30 years = 5% reduction per year
- Over 30 years = **NO WEP Reduction**

- Substantial Earnings in 2000 \$14,175
 - 2025 \$32,700

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Example of benefit formula

- Baby Boomer born in 1962 – turns 62 in 2024
- Maximum Social Security earnings every year since age 22
- AIME = \$12,427
- PIA formula:
 - $\$1,174 \times .90 = \$1,056.60$
 - $\$5,904 \times .32 = \$1,889.28$
 - $\$6,022 \times .15 = \903.30
 - Total = \$3,849.18

PIA = \$3,849

Amount worker will receive at full retirement age

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Example of WEP benefit formula

- Baby Boomer born in 1960 – turns 62 in 2022
- Maximum Social Security earnings every year since age 22
- AIME = \$11,430
- PIA formula:
 - $\$1,024 \times .40 = \409.60 WEP (\$512 Reduction)
 - $\$5,148 \times .32 = \$1,647.36$
 - $\$5,258 \times .15 = \788.70
 - Total = \$2,845.66

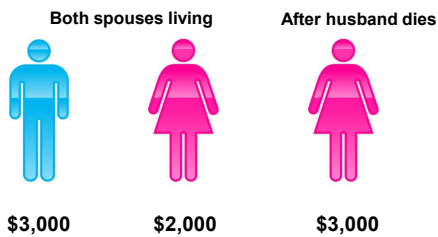
PIA = \$2,845.60

Amount worker will receive at full retirement age

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Social Security offers survivor benefits



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GPO

- **GPO** is for **Spousal Benefits**
- Affects Spouses, Widows & Widowers
- You receive a pension based upon work where you did not pay FICA
- Your **SPOUSAL** Social Security benefits will be reduced by **2/3 of your Pension**

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GPO Example

Policeman has a \$6,000/mo. pension
2/3 or \$4,000 must be subtracted from Spousal Social Security Benefits

- Spousal Benefits
 - Wife has \$3,000 PIA (Check @ 67)
 - Normally you would get \$1,500 (50% @ 67)
- GPO Formula
 - **\$1,500 - \$4,000 = ZERO (Spousal Benefit)**
 - Survivorship same formula
- What if Husband died 1st?
 - Wife gets **PENSION & 100% Social Security**

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How

Social Security benefits are calculated

- At age 62, each year's earnings are tallied up and indexed for inflation
- Highest 35 years of earnings are averaged (AIME)
- AIME is divided by three "bend points" to determine your primary insurance amount (PIA). This is the amount you'll receive at full retirement age.
- Benefit is increased each year by cost-of-living adjustments (COLAs)

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Example of Benefit Formula

- ▶ Baby Boomer born in 1963—turns 62 in 2025
- ▶ Maximum Social Security earnings every year since age 22
- ▶ AIME = \$13,689

PIA Formula:

• $\$1,226 \times 0.90 =$	\$1,103.40	
• $\$6,165 \times 0.32 =$	\$1,972.80	(\$7,391 - \$1,226 = \$6,165)
• $\$6,298 \times 0.15 =$	\$944.70	(\$13,689 - \$7,391 = \$6,298)
• Total =	\$4,020.90	

PIA = \$4,020.90

Amount worker will receive at full retirement age

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When to claim



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Brain Teaser

In life, would you rather:

1

Be early or delayed?

2

Pay a penalty or get a bonus?

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When Full Retirement Age (FRA)

Year of Birth	Full Retirement Age
1943–54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

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What if You Apply for Early Benefits?

You will receive a percentage of your PIA

Apply at age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67		100%

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Keep Working: Understand The Annual Earnings Test

If you apply for Social Security before full retirement age and you work:

- ▶ \$1 in benefits will be withheld for every \$2 you earn over \$23,400 in 2025
- ▶ Benefit will be adjusted at full retirement age
- ▶ Don't let annual earnings test discourage you from working
- ▶ To avoid the earnings test, wait until full retirement age or later to apply for benefits

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What if You Apply After FRA?

You will earn 8% annual delayed credits

Apply at age	Benefit will be a % of PIA if FRA = 66	Benefit will be a % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

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Why Delay Benefits?

Bigger checks to start

Age at which benefits are claimed	% of PIA if FRA = 67	Benefit without COLAs (\$)	Benefit with COLAs (\$)
62	70.00	2,100	2,100
63	75.00	2,250	2,295
64	80.00	2,400	2,497
65	86.67	2,600	2,759
66	93.33	2,810	3,042
67	100.00	3,000	3,312
68	108.00	3,240	3,649
69	116.00	3,480	3,997
70	124.00	3,720	4,359

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Why Delay Benefits?

More income later on

Benefit at age	If claim at 62	If claim at 67	If claim at 70
70	\$2,460	\$3,515	\$4,359
75	\$2,717	\$3,881	\$4,812
80	\$2,999	\$4,285	\$5,313
85	\$3,311	\$4,731	\$5,866
90	\$3,656	\$5,223	\$6,477
95	\$4,037	\$5,767	\$7,151
100	\$4,457	\$6,367	\$7,895

Assuming \$3,000 PIA

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Cumulative Differences Avg Life Expectancy (85) \$3,000 PIA

- \$1,558,000 @62
- \$1,840,000 @67 • Difference \$282,000
- \$1,968,000 @70 • Difference \$410,000

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Cumulative Differences Long Life Expectancy (95) \$3,000 PIA

- \$2,317,000 @62
- \$2,898,000 @67 • Difference \$581,000
- \$3,204,000 @70 • Difference \$887,000

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Baby Boomer Social Security

When should I apply for benefits?



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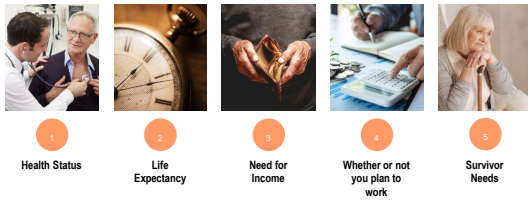
One Simple Question

- What's your check out date?
- If married –
- What are your joint check out dates?

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Factors to Consider **When** Deciding When to Apply



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Who Spousal Benefits

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What - Rules for Spousal Benefits



- ▶ Primary worker must have filed for benefits
- ▶ Spouse must be at least 62 for reduced benefit or FRA for full benefit
- ▶ No delayed credits on spousal benefits after FRA

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Who Survivor Benefits

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What - Rules for Survivor Benefits



- ▶ Couple must have been married at least 9 months at date of death (except in case of accident).
- ▶ Survivor must be at least 60 for reduced benefit (50 if disabled), or FRA for full benefit.
- ▶ **Survivor benefit not available if widow(er) remarries before age 60 (or 50 for disabled survivor), unless that marriage ends.**
- ▶ Divorced-spouse survivor benefit available if the marriage lasted at least 10 years.

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Who Divorced-Spouse Benefits

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Divorced-Spouse Benefits



Same as spousal benefits if:

- ▶ Marriage lasted 10 years or more
- ▶ Person receiving divorced-spouse benefit is currently unmarried
- ▶ The ex-spouse is at least age 62
- ▶ If divorce was more than two years ago ex-spouse does not need to have filed for benefits

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#1 Have Claimed on Own Benefits

- Subject to the WEP adjustment
- Automatically see RETRO BENEFITS 1-1-24
- Future checks increase w/o WEP Adjustment

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#2

Have already claimed on Own Benefits – But Spousal Might be Greater

- Determine Difference if Spouse has claimed
- Walk You thorough process to change over
- Consultation without Analysis \$100
- Consultation with Analysis \$250

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#3

Have Not Yet Claimed Benefits

- Run 28 page analysis of ALL options
- Specific Recommendation
- Consultation
- \$250 Flat Fee upon completion

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Next Steps

- Not yet applied
 - www.ssa.gov/apply
 - 800-772-1213 Mon-Fri 9:00am – 6:00 EST
 - Tell them – FAIRNESS ACT
- Have already applied
 - Don't have to do anything
- Not sure if you've applied
 - Consider reviewing mailing address and/or direct deposit info at www.ssa.gov/myaccount

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