

Social Security Disability Benefits

Presented by: **Kenneth Sapon, CLU, CLTC, LUTCF, R.Ph.**
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Prepared for:

What Social Security Benefits Are Available in the Event of a Disability?

Almost everyone in the United States who is employed or self-employed is covered by Social Security, which pays benefits to or on behalf of covered workers who retire, become disabled or die, assuming that eligibility requirements are met.

Disability Benefits

Eligibility: To qualify for monthly Social Security disability benefits, you must be under age 65 and so severely disabled that you cannot perform any meaningful work. You must also have a minimum number of quarters of Social Security coverage, based on your year of birth. Ordinarily, benefits do not begin until the sixth full month of disability.

It can be difficult to qualify for Social Security disability benefits. In fact, from 2000 through 2009, an average of about only 45% of Social Security disability claims were eventually approved. (Source: Annual Statistical Report on the Social Security Disability Program, 2010; released August 2011)

Benefits: Your Social Security disability benefit equals your Primary Insurance Amount (PIA) at the time you are disabled. Your spouse and eligible children can also receive disability benefits, determined in the same way as if you had retired. The Maximum Family Benefit, however, is lower than for retirement or survivor benefits.

The average monthly Social Security disability benefit received in 2011 was \$1,111. (Source: Annual Statistical Report on the Social Security Disability Program, 2011; released July 2012)

You can request an Earnings and Benefit Estimate Statement by submitting Form SSA-7004 to the Social Security Administration.

Social Security Death and Survivor Benefits

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What Social Security Death and Survivor Benefits Are Available?

Almost everyone in the United States who is employed or self-employed is covered by Social Security, which pays benefits to or on behalf of covered workers who retire, become disabled or die, assuming that eligibility requirements are met.

Death Benefits

Eligibility: If you die while working or retired, a \$225 lump sum may be payable to an eligible spouse or children. In addition, your spouse, children and/or dependent parents may be eligible for monthly survivor benefits. The benefits your family members receive are determined by whether you are currently insured (six quarters during the 13 quarters prior to death) or fully insured (based on your year of birth).

Survivor Benefits: Your surviving spouse may be eligible to receive monthly payments if caring for your child who is under age 16, or of any age if disabled before age 22. Payments may also be made to surviving spouses beginning at their age 65 (60 if a reduced benefit is elected). In addition, monthly payments may be made to your children who are under age 18 (19 if in high school), or of any age if disabled before age 22. Finally, your mother and/or father, age 62 or over, may receive survivor benefits if, at the time of your death, either was dependent on you for at least 50% of his/her support.

You can request an Earnings and Benefit Estimate Statement by submitting Form SSA-7004 to the Social Security Administration.

Social Security Retirement Benefits

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What Social Security Retirement Benefits Are Available?

Almost everyone in the United States who is employed or self-employed is covered by Social Security, which pays benefits to or on behalf of covered workers who retire, become disabled or die, assuming that eligibility requirements are met.

Retirement Benefits

Eligibility: To qualify for monthly Social Security retirement benefits, you must be fully insured which, for most workers, means that you must have 40 quarters of coverage at retirement.

Benefits: Social Security retirement benefits are based on your Primary Insurance Amount (PIA), which, in turn, is based on your earnings history (your "Average Indexed Monthly Earnings"). When you retire and begin receiving Social Security benefits, your spouse is entitled to a benefit equal to 50% of your PIA beginning at his/her normal retirement age. A spouse eligible for retirement benefits based on his/her own work record will receive the higher of those benefits or spouse benefits based on your work record. In addition, any of your children under age 18 (19 if in high school), or of any age if disabled before age 22, are also entitled to a benefit equal to 50% of your PIA. The total benefits that all members of your family can receive based on your earnings record, however, is limited to a Maximum Family Benefit.

Normal Retirement Age: The normal retirement age for full Social Security benefits is age 65 for people born before 1938. For those born between 1943 and 1954, it is age 66. Full retirement age is gradually increasing to age 67 for those born after 1954.

Early Retirement: A permanently reduced Social Security benefit can be taken at any time between age 62 and your normal retirement age. Your spouse can also elect to receive permanently reduced benefits as early as his/her age 62, unless caring for your eligible child. In this case, no reduction is made based on the spouse's age.

Late Retirement: If you delay receiving Social Security benefits beyond your normal retirement age, your benefit will be increased by a percentage factor for each year you wait, up to age 70.

You can receive estimates of your retirement benefits and review your earnings record by creating an account at

Important Facts About Social Security Retirement Benefits

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Here Are Some Important Facts About Social Security Retirement Benefits:

- **The Social Security Normal Retirement Age, currently age 66 for those people born between 1943 and 1954, is gradually increasing to age 67 for persons born after 1954.**
- **Early retirement results in a permanent reduction in the Social Security retirement benefit.** For example, the Social Security retirement benefit of a worker born between 1943 and 1954 who retires early at age 62 will be reduced by 25%.
- According to the Social Security Administration:
 - The **maximum** Social Security retirement benefit for a worker retiring at full retirement age in 2014 is \$2,642 monthly.
 - The **average** Social Security benefit for all retired workers in 2014 is estimated at \$1,294.
- **The Social Security spousal retirement benefit is limited to a maximum of 50% of the retired worker's benefit.** The spousal retirement benefit is reduced if the worker retires before his or her normal retirement age.
- How much do you want to rely on a source of retirement income over which you have no control? Consider this quote from a *Time* magazine article titled "Social Insecurity":
"For government to pay pensions to the advancing tide of baby boomers will almost certainly require stunning benefit reductions or huge tax increases. Most likely both. After years of fiscal and political fecklessness, an explosive conclusion."

Question: When was this article published?

Answer: March 12, 1995, although the same statement could easily apply today, in the absence of any reform to the Social Security system.

Increasing Social Security Retirement Age

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The Social Security Full Retirement Age Is Increasing!

For people born in 1938 and later, the Social Security retirement age for full benefits is gradually increasing from age 65 to age 67. Regardless, however, of your full retirement age, you may start receiving reduced benefits as early as age 62.

What Does this Mean for You?

If Your Year of Birth Is ⁽¹⁾ :	Your Full Retirement Age Is:	At Age 62 ⁽¹⁾ :			
		A \$1,000 retirement benefit would be reduced to:	The retirement benefit is reduced by ⁽²⁾ :	A \$500 spouse's benefit would be reduced to:	The spouse's benefit is reduced by ⁽³⁾ :
1937 or earlier	65	\$800	20.00%	\$375	25.00%
1938	65 and 2 months	\$791	20.83%	\$370	25.83%
1939	65 and 4 months	\$783	21.67%	\$366	26.67%
1940	65 and 6 months	\$775	22.50%	\$362	27.50%
1941	65 and 8 months	\$766	23.33%	\$358	28.33%
1942	65 and 10 months	\$758	24.17%	\$354	29.17%
1943 - 1954	66	\$750	25.00%	\$350	30.00%
1955	66 and 2 months	\$741	25.83%	\$345	30.83%
1956	66 and 4 months	\$733	26.67%	\$341	31.67%
1957	66 and 6 months	\$725	27.50%	\$337	32.50%
1958	66 and 8 months	\$716	28.33%	\$333	33.33%
1959	66 and 10 months	\$708	29.17%	\$329	34.17%
1960 and later	67	\$700	30.00%	\$325	35.00%

(1) If you were born on January 1st of any year, you should refer to the previous year.

(1) Percentages are approximate due to rounding.

(2) The maximum benefit for the spouse is 50% of the benefit the worker would receive at full retirement age. The % reduction for the spouse should be applied after the automatic 50% reduction. Percentages are approximate due to rounding.

Source: Social Security Online (<http://www.ssa.gov>)

Social Security Benefits: Who and When?

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Prepared for:

What Social Security Benefits Are Payable and Who Is Eligible to Receive Them?

Almost everyone in the United States who is employed or self-employed is covered by Social Security, which pays benefits to or on behalf of covered workers who retire, become disabled or die, assuming that eligibility requirements are met.

Event:	Benefits Payable to:		
	<i>You</i>	<i>Your Spouse</i>	<i>Your Child</i>
Your RETIREMENT	<ul style="list-style-type: none">No earlier than your age 62	<ul style="list-style-type: none">Beginning at age 62; orAt any age, if caring for your child who is under age 16 or is any age if disabled prior to age 22	<ul style="list-style-type: none">If under age 18 (or age 19, if in high school); orAny age if disabled prior to age 22
If You Become DISABLED	<ul style="list-style-type: none">At any age prior to your Normal Retirement Age	<ul style="list-style-type: none">Beginning at age 62; orAt any age, if caring for your child who is under age 16 or is any age if disabled prior to age 22	<ul style="list-style-type: none">If under age 18 (or age 19, if in high school); orAny age if disabled prior to age 22
If You DIE	<ul style="list-style-type: none">None	<ul style="list-style-type: none">Lump sum death benefitSurvivor benefit, beginning at age 60 (or age 50-59 if disabled); orAt any age, if caring for your child who is under age 16 or is any age if disabled prior to age 22	<ul style="list-style-type: none">If under age 18 (or age 19, if in high school); orAny age if disabled prior to age 22

Taxation of Social Security Benefits

Presented by: **Kenneth Sapon, CLU, CLTC, LUTCF, R.Ph.**
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Prepared for:

How Are Social Security Benefits Taxed?

Some people who receive Social Security benefits will have to pay federal income taxes on their benefits:

Lump Sum Death Benefit: Income tax free

Retirement, Survivor and Disability Benefits: Income tax free, unless income exceeds a specified base amount.

The base amounts are:

- \$25,000 if you are single or head of household.
- \$32,000 if you are married filing jointly.
- \$25,000 if you are married filing separately and lived apart from your spouse for all of the year.
- \$-0- if you are married filing separately and lived with your spouse at any time during the year.

To find out whether any of your benefits may be taxable, compare the base amount for your filing status with the total of (1) one-half of your Social Security benefits, plus (2) all your other income, including tax-exempt interest. If you are married and file a joint return, you and your spouse must combine your incomes and your benefits to figure whether any of your combined benefits are taxable. Even if your spouse did not receive any benefits, you must add your spouse's income to yours to figure whether any of your benefits are taxable.

If the total is more than your base amount, part of your benefits may be taxable. How much is taxable depends on the total amount of your benefits and other income...the higher that total amount, the greater the taxable part of your benefits. Generally, up to 50% of your benefits will be taxable. However, up to 85% of your benefits can be taxable if either of the following situations applies to you:

- The total of one-half of your benefits and all your other income is more than \$34,000 (\$44,000 if you are married filing jointly).
- You are married filing separately and lived with your spouse at any time during the year.

More information, including worksheets and examples, is available in IRS Publication 915: Social Security and Equivalent Railroad Retirement Benefits.

Earned Income and Social Security Retirement Benefits (2013)

Presented by: **Kenneth Sapon, CLU, CLTC, LUTCF, R.Ph.**
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Prepared for:

In 2013, What Impact Does Continuing to Work After Retirement Have on Social Security Retirement Benefits?

Continuing to work after you begin receiving Social Security retirement benefits may reduce the amount of those benefits ultimately available to support your retirement standard of living in two ways:

- 1. Your earned income (wages and self-employment income) may cause your Social Security benefits to be subject to income tax.** If your Social Security benefits are **not** currently exposed to income tax, you should evaluate whether your earned income will put you over the tax-free base amount of Social Security retirement benefits (\$25,000 if single; \$32,000 if married filing jointly).
- 2a. If you are between the ages of 62 and your full retirement age (age 66 in 2013),** your 2013 Social Security benefits are reduced \$1 for each \$2 of your earned income in excess of the 2013 exempt amount of \$15,120. The exempt amount is adjusted each year for inflation.
- 2b. If you are receiving Social Security benefits and you have reached your full retirement age,** there is no retirement earnings test for people who have reached their Social Security full retirement age (age 66 for people born between 1943 and 1954). Here's how it works:
 - **In the year you reach full retirement age,** \$1 in benefits will be deducted for each \$3 you earn above a specific annual limit (\$40,080 in 2013), **but only counting earnings before the month you reach the full benefit retirement age.**
 - **Starting with the month in which you reach full retirement age** (age 66 for people born between 1943 and 1954), you will receive the full Social Security retirement benefit to which you are entitled, without regard for or limit on your earnings.

Earned Income and Social Security Retirement Benefits (2014)

Presented by: **Kenneth Sapon, CLU, CLTC, LUTCF, R.Ph.**
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Prepared for:

In 2014, What Impact Does Continuing to Work After Retirement Have on Social Security Retirement Benefits?

Continuing to work after you begin receiving Social Security retirement benefits may reduce the amount of those benefits ultimately available to support your retirement standard of living in two ways:

- 1. Your earned income (wages and self-employment income) may cause your Social Security benefits to be subject to income tax.** If your Social Security benefits are **not** currently exposed to income tax, you should evaluate whether your earned income will put you over the tax-free base amount of Social Security retirement benefits (\$25,000 if single; \$32,000 if married filing jointly).
- 2a. If you are between the ages of 62 and your full retirement age (age 66 in 2014),** your 2014 Social Security benefits are reduced \$1 for each \$2 of your earned income in excess of the 2014 exempt amount of \$15,480. The exempt amount is adjusted each year for inflation.
- 2b. If you are receiving Social Security benefits and you have reached your full retirement age,** there is no retirement earnings test for people who have reached their Social Security full retirement age (age 66 for people born between 1943 and 1954). Here's how it works:
 - **In the year you reach full retirement age,** \$1 in benefits will be deducted for each \$3 you earn above a specific annual limit (\$41,400 in 2014), **but only counting earnings before the month you reach the full benefit retirement age.**
 - **Starting with the month in which you reach full retirement age** (age 66 for people born between 1943 and 1954), you will receive the full Social Security retirement benefit to which you are entitled, without regard for or limit on your earnings.

Medicare Overview

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Medicare is a federal health insurance program provided to persons age 65 and older, disabled persons who have been receiving Social Security disability benefits for at least two years, and persons of any age with permanent kidney failure.

The Original Medicare program has three parts:

Part A: Hospital Insurance

Pays for hospitalization, skilled nursing home care on a limited basis, home health care and, under certain circumstances, hospice care. There is no premium for Part A. It is primarily financed by Social Security payroll taxes.

Part B: Supplementary Medical Insurance

Pays for certain physicians' services, including surgery, home health services, clinical laboratory services, durable medical equipment and other miscellaneous items and services. An eligible person who enrolls in Part A of Medicare is automatically enrolled in Part B, unless he or she specifically declines Part B coverage. There is a monthly premium for Part B, which is usually deducted from the Medicare recipient's Social Security check.

While Parts A and B cover a lot of medical care, they don't pay for everything. As a result, some individuals purchase a Medicare supplement policy (Medigap plan) from a private insurer to fill in the coverage gaps.

Part D: Prescription Drug Plans

Anyone with Medicare Parts A and B, neither of which cover prescription drug costs, can purchase a Part D prescription drug plan from a private insurer for a monthly premium. Benefits and premiums vary widely, so it is important to understand the variety of options available before purchasing a prescription drug plan.

As an alternative to Original Medicare:

Part C: Medicare Advantage Plans

Anyone with Medicare Parts A and B can choose to receive health care benefits from a private insurer through a Medicare Advantage plan instead of through Original Medicare. There are a variety of Medicare Advantage plans available, which offer different benefits and charge different premium amounts, so it is important to shop around for the plan that best meets your needs. Many Medicare Advantage plans include prescription drug coverage. If you enroll in a Medicare Advantage plan, you will continue to pay the monthly Medicare Part B premium, plus the premium charged by the Medicare Advantage plan you select.