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In This Issue

[Maximize Social Security](#)

[Question & Answer](#)

[What's New](#)

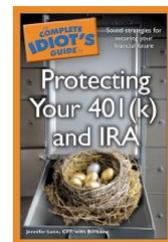
[Monthly Tip](#)



Jennifer's Hint

Regardless of when you take your social security benefit, whether at age 62 or at a later age, you still must apply for Medicare health insurance at age 65.

Get more tips in Jennifer's book



(click for link)

Helpful Websites

www.NAFP.org

www.SSA.gov

How Work Affects Your Benefits - Pub 10069



Welcome! With baby boomers reaching retirement age, social security benefits have become a hot topic. Deciding when to take your social security benefit is an important part of protecting your retirement accounts and your long-term financial security.

This month, we're looking at how to make sure you're getting the greatest payback from the money you've put into social security. Read on and remember we're here to help you stay *On Course*.

-Jennifer Lane, CFP

Maximizing Your Social Security Benefits

Understanding how social security works can protect your retirement accounts and your long-term financial security.

How they calculate what you get

The Social Security Administration (SSA) uses an algorithm to determine your monthly payments.

- Average indexed monthly earnings.
- Up to 35 years of indexed earnings. This will, in most cases, eliminate years where your income was significantly lower than average, e.g., unemployment or part-time work before you fully retire.
- Check your benefit at www.SSA.gov/estimator.
- If you are married to a worker, you are eligible for benefits too. Click [here](#) for more info.

Think of social security as a savings account

Current social security rules for taking benefits greatly favor waiting until you're 70 to begin taking payments.

- At age 62, the first year you can begin benefits, SSA reduces your monthly benefit by 25 percent!
- Full social security benefits kick in dependent on when you were born. It's 66 for those born between 1943 and 1954 and 67 for those born in 1960 and later. It increases by monthly increments between 66 and 67 for those born between 1955 and 1959.
- Each year you delay beginning benefits, your monthly amount increases by 8 percent until you reach 70. Quite a good return in this time of 1 percent or less savings accounts!

Take advantage of the *file and suspend* option

If you're married, you have access to what's called *file and suspend*, which lets you take advantage of spousal benefits and still allows the higher wage earner to grow his or her benefits at 8 percent per year to 70.

- At age 66, one spouse files for social security and immediately suspends payments.
- The other spouse can then begin receiving half of the payment benefits without affecting the other spouse's amounts, e.g., if the monthly payment were \$2,000, the spouse would receive \$1,000.

Beware of the *dollar give back*

If you decide to take your benefit before reaching full retirement age, there are limits to how much work income you can earn without a penalty.

- Currently there is a dollar give back for every \$2 you earn over the earnings limit until you reach your full retirement age.
- If you're not working, drawing early can be an advantage even if it reduces your future monthly benefit because it reduces your need to withdraw money from other accounts to cover expenses.
- Use SSA publication 10069, [How Work Affects Your Benefits](#) for more detailed info.

View our profile on 

Q&A

Q: My wife and I run a public relations firm. Our CPA has us report our earnings under my social security number to save taxes. Our new financial planner wants us to each report income. Who's right?

- Joseph from Acton

A: Joseph, your CPA is focused on taxes, which, in this case, might not be the best strategy. You pay social security taxes on the first \$110,100 you make. If you are making more than that, it makes more sense to split the income so both of you are paying some social security taxes because it counts not only toward social security benefits but also disability insurance. If there are no earnings, there will be no disability coverage. If you do not want to do the split, then you could switch reporting between the two of you from year to year.

What's New

- **Jennifer's Compass.** Jennifer recently discussed how to ask for a raise on NECN. Check out her [blog](#) to see the video.
- **We now have a Facebook page.** Visit www.facebook.com/AskJennifer and like us!
- **Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.**

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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