

What's new with Social Security?

7 Topics to Watch in 2017

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What's New?

- 1. 2017 cost-of-living adjustment**
- 2. 2017 earnings test**
- 3. Social Security taxes (payroll taxes and benefit taxes)**
- 4. 2017 Medicare premiums**
- 5. Proposals for Medicare reform**
- 6. Status of the Trust Fund and proposals for Social Security reform**
- 7. Update on claiming strategies**

#1. Cost of living adjustment



Cost-of-living adjustment

- **Social Security checks up slightly in 2017**
- **New earnings test threshold**
- **Higher Social Security wage base**

2017 Social Security cost-of-living adjustment: 0.3%

Current benefit amount	0.3% COLA*	New benefit amount
\$800	\$2.40	\$802.40
\$1,000	\$3.00	\$1,003.00
\$1,300	\$3.90	\$1,303.90
\$1,800	\$5.40	\$1,805.40
\$2,200	\$6.60	\$2,206.60
\$2,500	\$7.50	\$2,507.50
\$3,000	\$9.00	\$3,009.00
\$3,300	\$9.90	\$3,309.90

*** May be absorbed by Medicare premiums**

COLA in perspective

1982	11.20%	1994	2.60%	2006	4.10%
1983	7.40%	1995	2.90%	2007	3.30%
1984	3.50%	1996	2.60%	2008	2.30%
1985	3.50%	1997	2.90%	2009	5.80%
1986	3.10%	1998	2.10%	2010	0.00%
1987	1.30%	1999	1.30%	2011	0.00%
1988	4.20%	2000	2.50%	2012	3.60%
1989	4.00%	2001	3.50%	2013	1.70%
1990	4.70%	2002	2.60%	2014	1.50%
1991	5.40%	2003	1.40%	2015	1.70%
1992	3.70%	2004	2.10%	2016	0.00%
1993	3.00%	2005	2.70%	2017	0.03%

Average historical COLA: 3% Trustees' projected COLA: 2.6%

How the COLA is calculated

- **Based on CPI-W:
Consumer Price
Index for urban
wage earners**
- **Unclaimed benefit
also raised by COLA**



See SSA Office of the Chief Actuary for exact formula:

<https://www.ssa.gov/oact/cola/latestCOLA.html>

#2. Earnings test



2017 earnings test threshold

- **Earnings test applies to people who are under FRA, receiving benefits, and work**
- **2017 threshold: \$16,920, up from \$15,720**
- **\$1 in benefits will be withheld for every \$2 earned over \$16,920**
- **If you are receiving benefits and turn FRA in 2017, \$1 will be withheld for every \$3 earned over \$44,880**

First-year monthly earnings test

- **If:**
 - **You file for Social Security in 2017, and**
 - **You are under FRA, and**
 - **You continue to work,**
 - **Your benefit will be withheld for any month that you earn more than \$1,410**
 - **The following year you will be subject to the regular annual earnings test**

#3. Payroll taxes in 2017



Taxable earnings cap up 7%

- **Maximum earnings subject to Social Security tax: \$127,200 in 2017, up from \$118,500**



See this for the formula:

<https://www.ssa.gov/oact/cola/cbbdet.html>

Payroll tax rates unchanged



- **Tax rate remains 6.2% each for employee and employer (12.4% for self-employed)**
- **No change to Medicare tax: 1.45% on all earnings**

Maximum Social Security Tax

- **Maximum Social Security tax in 2017: $\$127,200 \times .062 = \$7,886$**
- **Self-employed: $\$127,200 \times .124 = \$15,772$**



#3b. Taxation of Social Security benefits



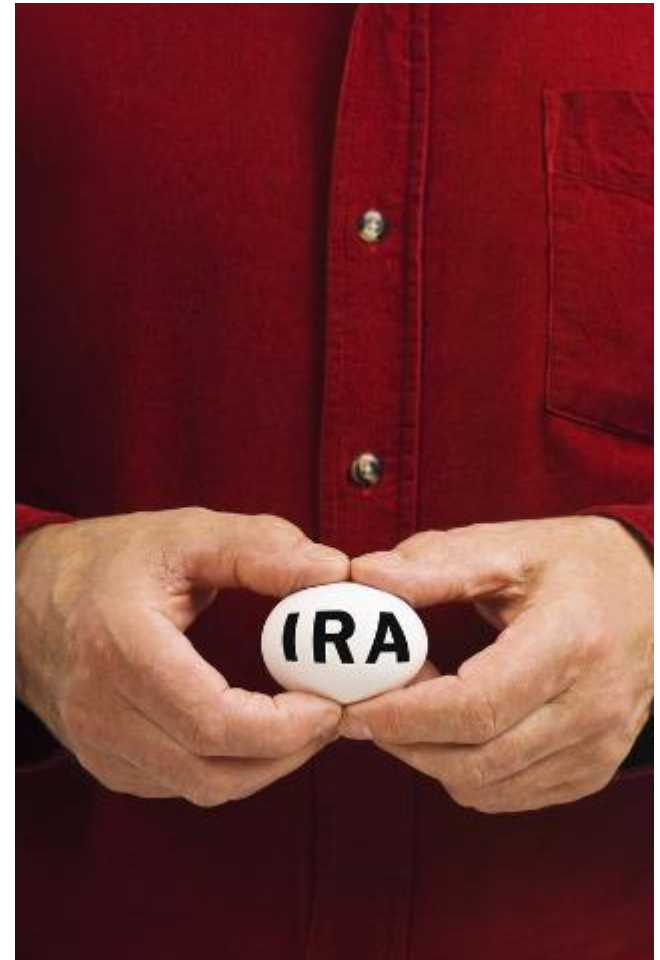
Taxation of Social Security benefits

Filing status	Provisional income*	Amount of SS subject to tax
Married filing jointly	Under \$32,000 \$32,000 - \$44,000 Over \$44,000	0 Up to 50% Up to 85%
Single, head of household, qualifying widow(er), married filing separately & living apart from spouse	Under \$25,000 \$25,000 - \$34,000 Over \$34,000	0 Up to 50% Up to 85%
Married filing separately and living with spouse	Over 0	85%

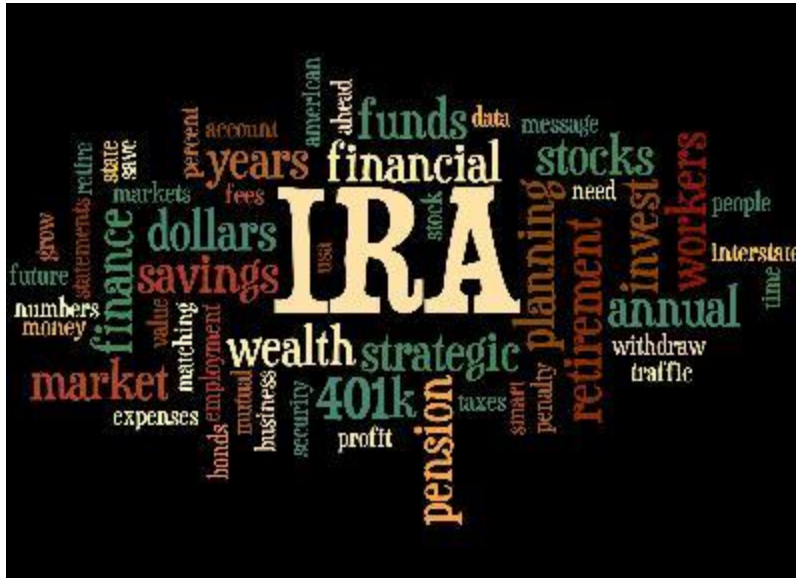
***Provisional income = AGI + one-half of SS benefit + tax-exempt interest**

What's new: Oldest boomers collecting RMDs

- **Leading-edge baby boomers started turning 70.5 in 2016**
- **IRA required minimum distributions (RMDs) might bump you into a higher tax bracket**



Heading off taxes on Social Security benefits



- **Tip #1: Draw down IRAs in advance of 70.5**
- **Tip #2: Convert to Roth**
- **Tip #3: Delay Social Security, reducing the number of years your income is subject to tax**

The future of taxes

- **Republicans want to lower tax rates**
- **Visit the Tax Policy Center for the latest tax proposals and what they mean**
<http://www.taxpolicycenter.org>

#4. 2017 Medicare premiums



2017 Medicare premiums

- **Base Part B premium: \$134/month**
- **Only 30% of Medicare beneficiaries will pay this full amount**



2017 Hold harmless provision

- **Limits the increase to your Part B premium to the Social Security COLA**
- **Applies if you were having your Part B premium deducted from Social Security in 2016**
- **Average Part B premium for those held harmless: \$109**



What if you were not held harmless?

- **You will pay the \$134 base premium if you are enrolled in Medicare Part B and:**
 - **You were not having Part B premiums deducted from Social Security in 2016 (i.e., you hadn't started Social Security yet)**
 - **You enrolled in Medicare for the first time in 2017**
 - **Your income is over \$85,000 if single or \$170,000 if married**

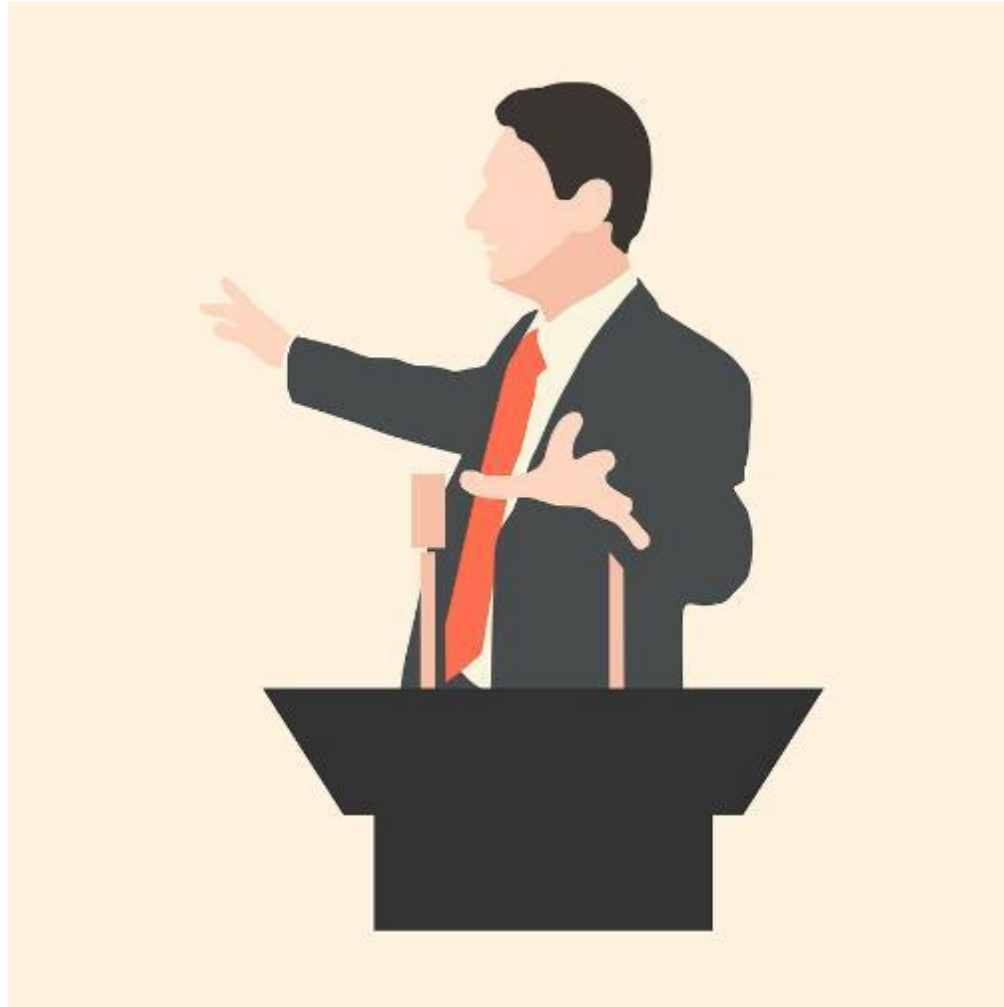
Monthly premiums for Parts B & D Including Income Related Monthly Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$134.00*	\$0.00	\$40.00	\$0.00	\$174.00
\$85,001 - \$107,000	\$170,001 - \$214,000		\$134.00	\$53.50	\$40.00	\$13.30	\$240.80
\$107,001 - \$160,000	\$214,001 - \$320,000		\$134.00	\$133.90	\$40.00	\$34.20	\$342.10
\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$128,000	\$134.00	\$214.30	\$40.00	\$55.20	\$443.50
> \$214,000	> \$428,000	> \$128,000	\$134.00	\$294.60	\$40.00	\$76.20	\$544.80

*\$109 on average if held harmless in 2017

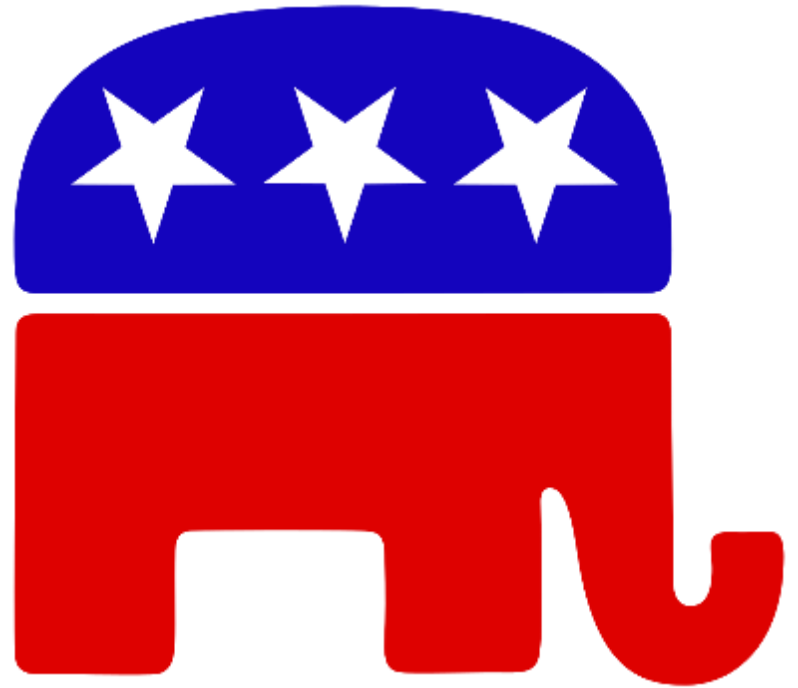
These do not include premiums for Medicare Advantage or Medicare supplement plans

#5. The future of Medicare



Republican reform goals

- **Shift more costs to individuals and states**
- **Overhaul entire health care delivery system:**
 - **ACA**
 - **Medicare**
 - **Medicaid**



Possible Medicare reform



- **Voucher system, also called premium support**
- **Medicare beneficiaries would use vouchers to buy private insurance**

#6. The future of Social Security



OASDI Trust Fund still growing

Trust fund balance on 12/31/15: \$2.813 trillion

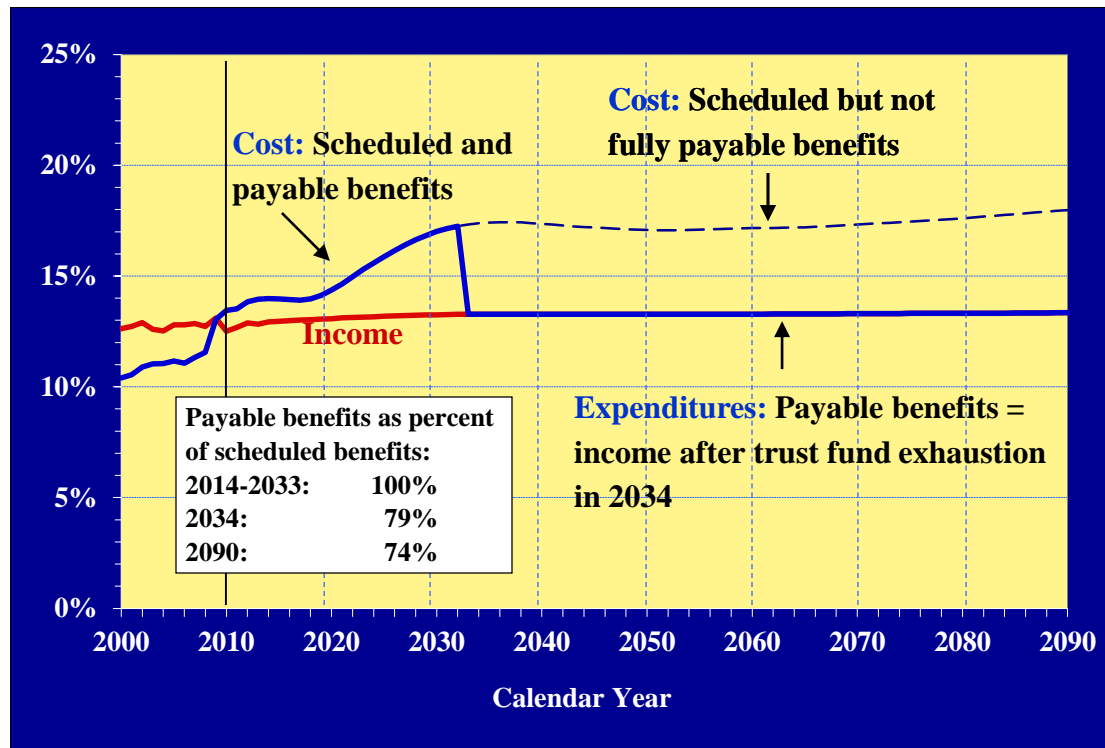
2016 results

- Total income: \$957 billion**
- Total expenditures: \$922 billion**
- Net increase in assets: \$ 35 billion**

Trust fund balance on 12/31/16: \$2.848 trillion

Long-term projections: without reform, benefits fall to 79% in 2034

OASDI Income, Cost and Expenditures as Percentages of Taxable Payroll
[Under Intermediate Assumptions]



Source: 2016 OASDI Trustees Report

What would it take to restore solvency to the system?

Reform proposals being studied

- **Increase maximum earnings subject to Social Security tax (currently \$127,200 in 2017)**
- **Raise the normal retirement age (currently 66 for individuals born between 1943 and 1954; 67 for those born in 1960 or later)**
- **Lower benefits for future retirees (escalate benefits based on increases in consumer prices rather than wages)**
- **Reduce cost-of-living adjustments (COLAs) for all retirees**

Republicans on Social Security

- **Republicans may seek to privatize it by establishing “personal accounts”**
- **Recent Trump SSA appointments: Tom Leppert, Mike Korbey**
- **Both favor privatizing Social Security**

#7. Claiming strategies update



File and suspend

- **File and suspend** gone for good as of April 2016. For those of you who suspended before the deadline...
 - Be sure to have your spouses file for their spousal benefits at the appropriate time
 - Your DRC-adjusted benefits will automatically resume at 70

Claim now, claim more later

- **Were you born before **January 2, 1954?****
- **If so, you may claim a benefit on your spouse's record even if your own benefit exceeds your spousal benefit**



Claim now, claim more later

- **John, age 66, PIA \$2,400; Jane, age 66, PIA \$1,600**
 - **Jane files on her own record at 66 (\$1,600 benefit)**
 - **John files on Jane's record at 66 (\$800 benefit)**
 - **John's benefit builds four years of delayed credit; John files at 70 ($\$2,400 \times 1.32 = \$3,168$)**
 - **In the event Jane outlives John, she'll receive his maximized benefit**

Social Security checkup



Real cases – could this be you?

- **A married person who never added on her spousal benefit after her husband filed for his benefit.**



Real cases – could this be you?



- **A divorced person who didn't know she could claim a benefit off her ex-spouse.**

Real cases – could this be you?

- **A divorced person whose ex-spouse is now deceased making her eligible for a survivor benefit that is higher than her own benefit.**
- **Note: They would've had to have been married for over 10 years.**



Social Security Checkup

- **Let us help you:**
 - **Identify possible benefits**
 - **Explore claiming strategies**
 - **See how Social Security fits into the rest of your retirement income plan**

Social Security is too important for guesswork.



**Let us help you protect your nest egg and maximize
your income in retirement.**