SOCIAL SECURITY

What to Consider as You Approach Late Career

Evelyn Lipina
Information and Communication Center
2026 Annual Delegates Meeting


SOCIAL SECURITY
BENEFITS

Create/Log into my Social Security



Typical Questions:

How do I qualify for benefits?

How is my benefit calculated?

When should I start collecting?

Are Social Security benefits taxed?

How do I apply for benefits?



Will Social Security benefits be there for me?



Why are Americans concerned?

- Social Security is a pay-as-you-go plan
- Retiree population is growing
- Working population is shrinking
- Taxes collected currently are not sufficient
- Reserves are being utilized to pay benefits



Reserves are running low

- **Current projections suggest reserves will be depleted by late 2034.**
- **Unless legislation “fixes” things, payout afterward is currently projected to be 83% of the benefit.**

How do I qualify for benefits?



Your Work

You earn credits as you work and pay Social Security taxes

- **In 2026, you earn one credit for every $1,890 in earnings**
- **You may earn up to four credits in any year**
- **You need 40 credits (10 years of work) to be eligible**



Social Security Payroll Taxes

Federal Insurance Contributions Act (FICA)

7.65% tax on your gross wages

6.2 %* to fund Social Security

1.45% to fund Medicare

*Employees and employers each pay a 6.2% Social Security tax (12.4% total for self-employed individuals)



Maximum Taxable Earnings

2027: $192,300

Contribution and benefit bases, 1937-2026

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1937-50	$3,000	1986	$42,000	2006	$94,200	2026	$184,500
1951-54	3,600	1987	43,800	2007	97,500		
1955-58	4,200	1988	45,000	2008	102,000		
1959-65	4,800	1989	48,000	2009	106,800		
1966-67	6,600	1990	51,300	2010	106,800		
1968-71	7,800	1991	53,400	2011	106,800		
1972	9,000	1992	55,500	2012	110,100		
1973	10,800	1993	57,600	2013	113,700		
1974	13,200	1994	60,600	2014	117,000		
1975	14,100	1995	61,200	2015	118,500		
1976	15,300	1996	62,700	2016	118,500		
1977	16,500	1997	65,400	2017	127,200		
1978	17,700	1998	68,400	2018	128,400		
1979	22,900	1999	72,600	2019	132,900		
1980	25,900	2000	76,200	2020	137,700		
1981	29,700	2001	80,400	2021	142,800		
1982	32,400	2002	84,900	2022	147,000		
1983	35,700	2003	87,000	2023	160,200		
1984	37,800	2004	87,900	2024	168,600		
1985	39,600	2005	90,000	2025	176,100		

How is my benefit calculated?



Create/Log into my Social Security



How is my benefit calculated?

Social Security uses a three-step process based on:

- **Your lifetime earnings;**
- **A progressive formula; and**
- **The age you claim benefits.**



Step One: Social Security reviews your lifetime earnings

- Adjusts or "indexes" earnings through age 59;

  (Post-59 earnings are used at face value)
- Adds up your 35 highest years of indexed earnings; and
- Divides that figure by 420 (i.e., the number of months in 35 years)

Result: Average Indexed Monthly Earnings (AIME)



Primary Insurance Amount (PIA)

If you first become eligible for Social Security benefits at age 62 in 2026, your PIA would be the sum of:

- **90% of the first $1,286 of AIME, plus**
- **32% of AIME between $1,286 and $7,749, plus**
- **15% of AIME over $7,749**

Example AIME: $6,000

90% of the first $1,286:	$1,286 x 0.90 =	$1,157.40
32% of AIME between $1,286 and $7,749:		
Remaining AIME in this tier ($6,000 - $1,286 = $4,714)	$4,714 x 0.32 =	$1,508.48
15% of AIME over $7,749:		
Since AIME ($6,000) is below $7,749, this portion is $0	$0 x 0.15 =	$ 0.00
Total Unrounded PIA:		**$2,665.88**

Primary Insurance Amount (PIA)

PIA is the benefit you would receive if you claim the benefit at your full retirement age.

Your monthly retirement benefit may be higher or lower.



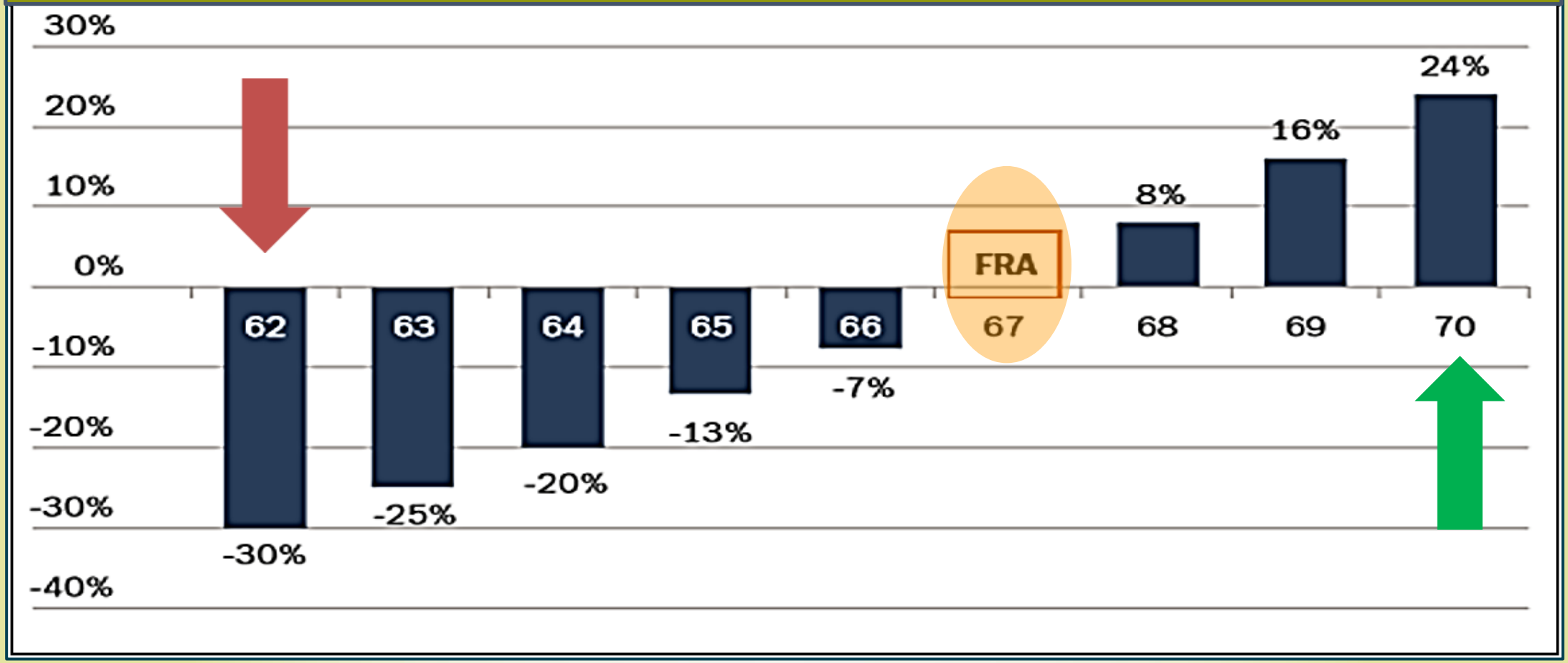
Full Retirement Age

Year of birth determines your Full Retirement Age (FRA).

You can collect as early as age 62, but your benefits would be reduced.

Age to receive full Social Security benefits	
Year of birth	***Full retirement age***
1943-1954	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
NOTE: *People born on January 1 of any year, refer to the previous year.*	

Your monthly benefit differs, based on the age you decide to start receiving benefits



When should I start collecting?



Considering Reduced Benefits

"Should I wait to collect and receive a higher amount for less time, or collect earlier and receive a lower amount for a longer period?"

Age 67 (PIA/FRA)	Age 62 (30% Reduction)
$ 2,000 per month	$ 1,400 per month
X 12 months	X 12 months
$24,000 annual benefit	$ 16,800 annual benefit

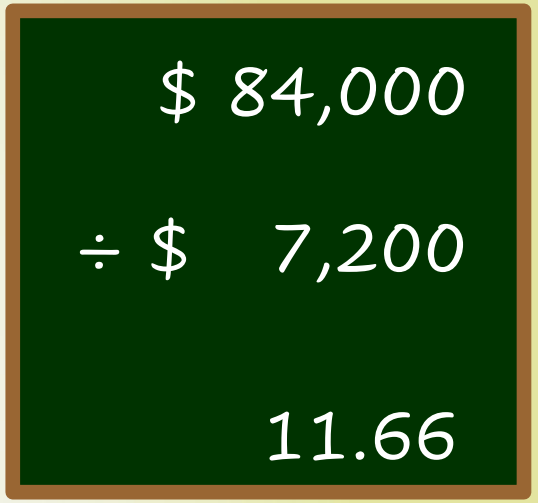
Difference of $7,200 per year

Determining the Break-Even Age

Benefit I could collect from age 62 to 67

($16,800 x 5 years = $84,000)

Divide the amount by increase ($7,200)



Once I start collecting at age 67, I would need to collect for at least 11 years and 8 months to recoup the money I could have collected in those 5 years.*

*Doesn't account for potential COLA increases or investments

Cost of Living Adjustments (COLA)

Social Security uses the Consumer Price Index (CPI) which tracks price changes for items we regularly buy like gas and groceries.

The SSA compares the CPI from the 3rd quarter of the previous year to the 3rd quarter of the current year. The percentage increase becomes the COLA increase.

No increase? No COLA.



COLA increases are applied not only to benefits currently being paid, but also to benefits not yet claimed.

Year	COLA Increase		Year	COLA Increase
2027	3.6%		2022	5.9%
2026	2.8%		2021	1.3%
2025	2.5%		2020	1.6%
2024	3.2%		2019	2.8%
2023	8.7%		2018	2.0%

Additional Factors to Consider

Will family members qualify for benefits on your record?

Family Benefits

Once a worker is collecting, a qualifying spouse *and/or* child may *each* receive a monthly payment of up to one-half of the worker's PIA.

Unmarried Child

- Under age 18 (under 19 if still in high school)
- Disabled before age 22

Spouse

- Age 62+
- Any age if caring for your child under age 16 or disabled

Spousal Benefits



- **The maximum *spousal* benefit is one-half of *worker's* PIA.**
- **If a *spouse* qualifies for benefits on their own record, the spouse will receive their *own* benefit first.**
- **SSA will "top off" a spouse's benefit (if applicable), so the payment totals up to half of the worker's PIA.**
- **If a spouse begins receiving benefits before their *own* full retirement age, the spouse's benefit will be permanently reduced.**

Ex-Spouses Can Also Qualify



You can collect spousal benefits based on an ex-spouse's work record if your marriage lasted at least 10 years, even if your ex has remarried, provided you are currently unmarried and at least age 62.

Your ex-spouse can claim benefits on your record without you even knowing, and their claim does not reduce your benefit or your current spouse's benefit.

Survivor Benefits

After a worker dies, an eligible family member can receive Social Security benefits based on the deceased worker's record.

Unmarried Child		Spouse		Dependent Parent
Under age 18 (under 19 if still in high school)	Disabled before age 22	Age 60+ or 50+ if disabled	Any age if caring for child under age 16 or disabled	Age 62 or Older

Spousal and Survivor Benefits are Different

Spousal Benefits – are paid while both worker and spouse are alive.

Survivor Benefits – are paid to the survivor after the worker dies.

Switching Options: If you are eligible for your own retirement benefit as well as a survivor benefit, you cannot collect both at the same time, but you **can choose to collect the higher amount** or switch from one to the other later.

Factors to consider in choosing when to collect

- Will family members qualify for benefits on your record?
- How is your health? What is your family's health history?
- Do you have other retirement income to support you if you decide to delay receiving your benefits?
- Are you eligible for benefits on someone else's record?
- Are you still working?



Earnings Limitation

If you collect Social Security retirement benefits (on your own record, or someone else's) and have not yet reached your Full Retirement Age, Social Security imposes a limitation on your earnings.



Earnings Limitation

If you haven't reached your Full Retirement age and start collecting, the 2027 earnings limit is:

$25,560/yr.

($2,130 per month)



$1 in Social Security benefits is withheld for every $2 in earnings above this limit

Exceeding the Earnings Limitation

2027		
Annual Earnings		$28,560
Earnings Limitation	-	$25,560
Over the Limitation		$ 3,000
	÷	2
Benefit Withheld	=	$ 1,500

Earnings Limitation in FRA Year

The earnings limit for workers reaching their Full Retirement Age (FRA) in 2027 is:

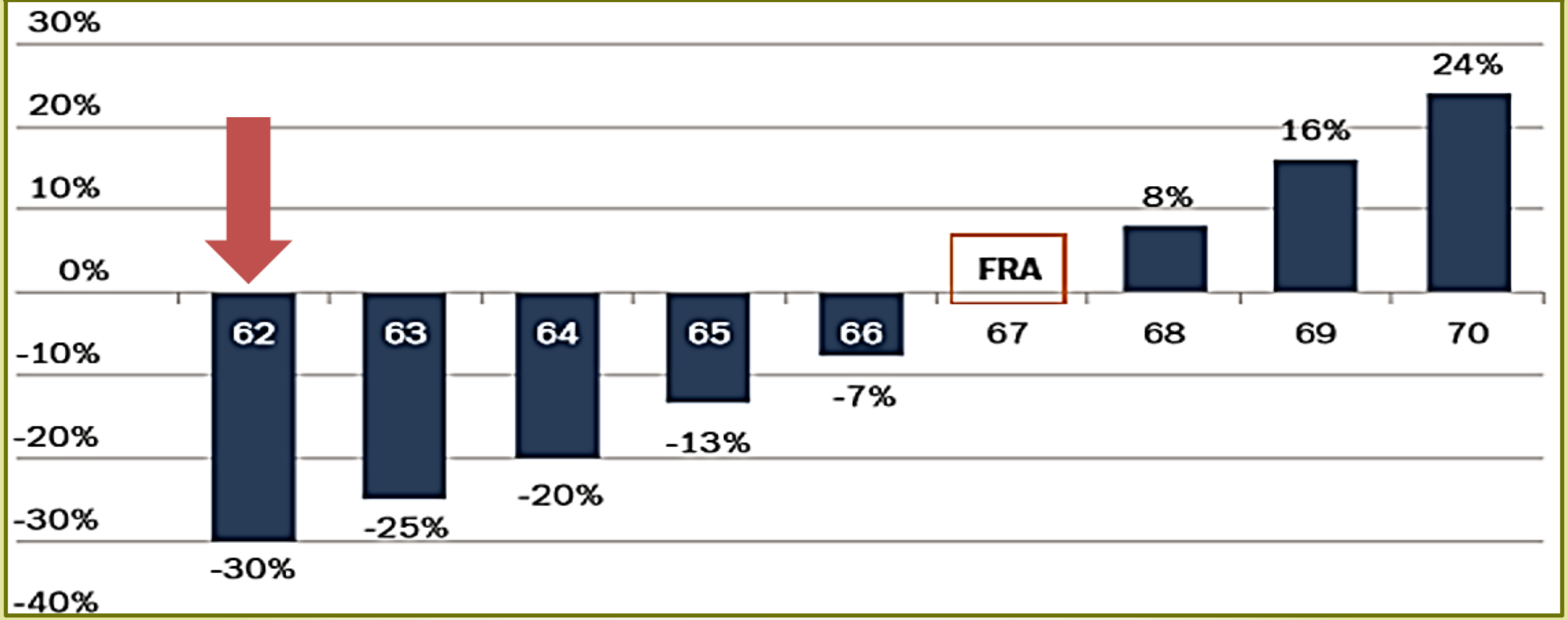
$67,920/yr. ($5,660/mo.)

$1 in Social Security benefits is withheld for every $3 in earnings above this limit

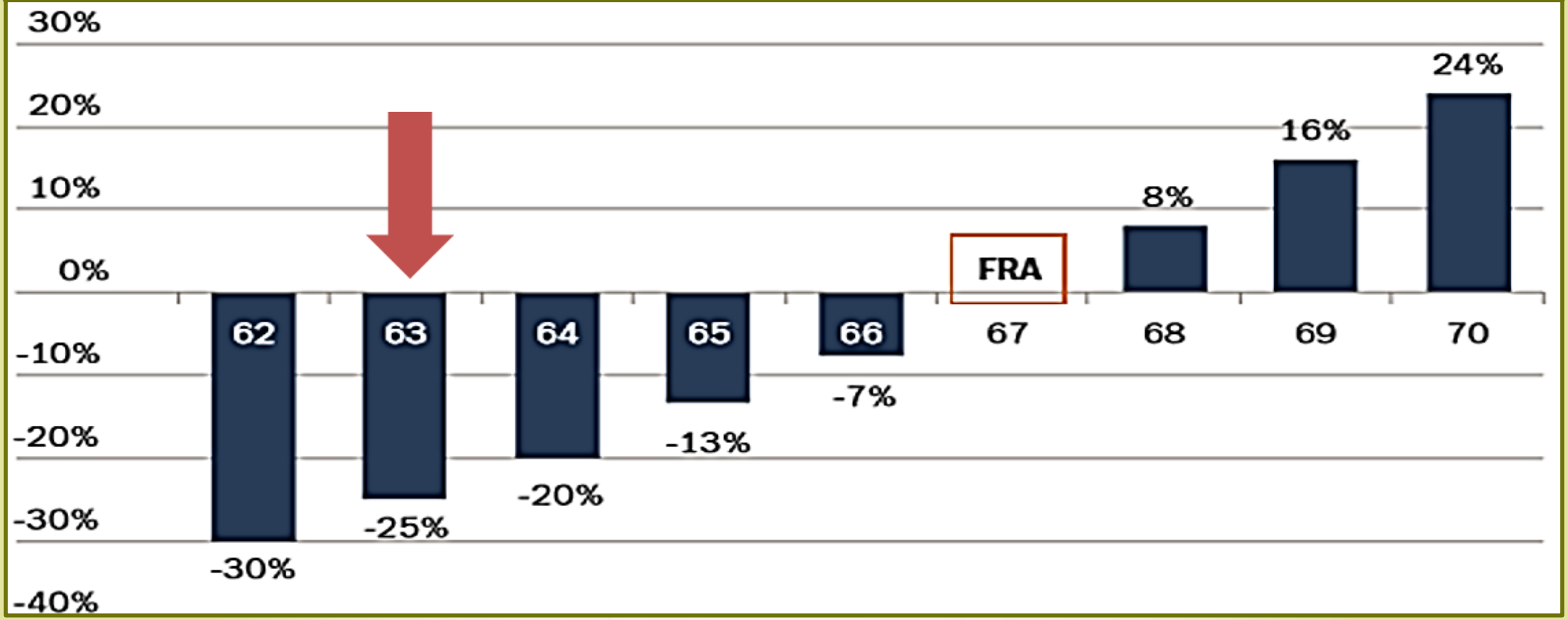
$67,920/yr.



Adjustment of the Reduction Factor



Adjustment of the Reduction Factor



Once you reach your full retirement age, no earnings limit remains.



Are Social Security benefits subject to tax?



State Tax?

Not if you live in New York State.

Only a handful of states (currently 7) tax Social Security benefits.

Retired Public Employees Association (rpea.org)



What About Federal Tax?

Up to 85% of your benefit may be subject to federal tax, depending on your total combined income.

(“Combined income” includes adjusted gross income, plus nontaxable interest, plus half of your Social Security benefits.)



Taxing Social Security Benefits

Combined income determines potential taxability.

Individual Return	Joint Return	May be Taxable
Under $25,000	Under $32,000	0%
$25,000 - $34,000	$32,000 - $44,000	Up to 50%
Over $34,000	Over $44,000	Up to 85%

Use *my* Social Security to view:



- **Your earnings history**
- **Estimated Social Security benefits**
- **Your *Social Security Statement***

Social Security Statement

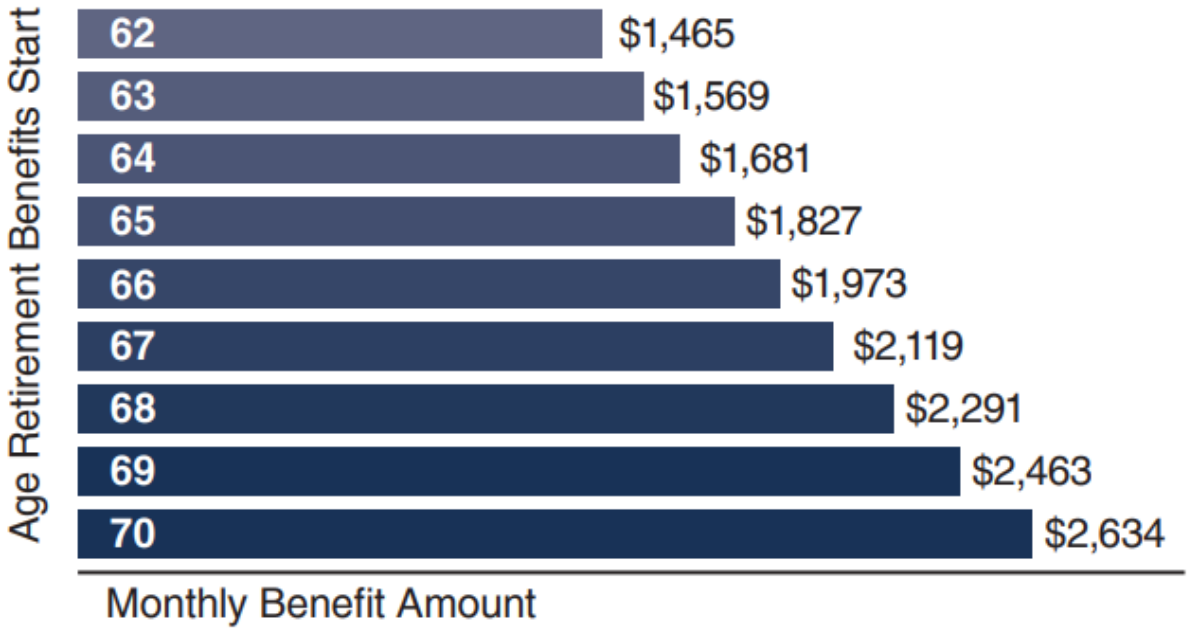
Retirement Benefits

You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn "credits" through your work — up to four each year.

Your full retirement age is **67**, based on your date of birth: April 5, 1962. As shown in the chart, you can start your benefits at any time between ages **62** and **70**. **For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.**

These personalized estimates are based on your earnings to date and assume you continue to earn $54,489 per year until you start your benefits. Learn more at *ssa.gov/benefits/retirement/learn.html*.

Personalized Monthly Retirement Benefit Estimates (Depending on the Age You Start)



Social Security Statement

Earnings Record

Review your earnings history below to ensure it is accurate because we base your future benefits on our record of your earnings. There's a limit to the amount of earnings you pay Social Security taxes on each year. Earnings above the limit do not appear on your earnings record. We have combined your earlier years of earnings below, but you can view your complete earnings record online with *my* Social Security. **If you find an error**, view your full earnings record online and call **1-800-772-1213**.

Work Year	Earnings Taxed for Social Security	Earnings Taxed for Medicare (began 1966)
1971-1980	$ 2,142	$ 2,142
1981-1990	87,102	87,102
1991-2000	246,069	246,069
2001	34,147	34,147
2002	34,846	34,846
2003	36,021	36,021
2004	38,032	38,032
2005	39,711	39,711
2006	41,829	41,829
2007	43,971	43,971
2008	45,170	45,170
2009	44,603	44,603
2010	45,666	45,847
2011	47,093	47,093
2012	48,560	48,560
2013	49,095	49,095
2014	50,605	50,605
2015	51,996	51,996
2016	52,108	52,108
2017	53,251	53,251
2018	53,966	53,966
2019	54,559	54,559
2020	54,489	54,489
2021	Not yet recorded	

Getting Information

Call (800) 772-1213 weekdays (8 a.m. - 7 p.m.)

Use touch tone to access information

When calling, state **"Agent"** (or keep your prompts short and simple)

Contact/Visit a local Social Security office

Verify ability to visit and/or book an appointment

How do I apply for benefits?



How do I apply for benefits?

Apply up to 4 months prior to your benefit start date:

- **Online using My Social Security**
- **In person at a local office (with an appointment)**
- **By telephone (800) 772-1213 (with an appointment)**



You Should Know:

Choosing when to collect Social Security retirement benefits has significant financial impact.

- **Utilize the tools and resources available**
- **Evaluate your options**
- **Consult with a professional**



Up Next
4:00 p.m. – 5:00 p.m.
Delegate-Board/Staff Discussion

