

Social Security

At a glance



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Retirement benefits

- Annual Social Security statements are available electronically (www.ssa.gov), or are also mailed to workers beginning at age 60 and older
- Based on highest 35 years of indexed earnings, working a few extra years can increase benefits, while retiring before Full Retirement Age (FRA) may lower your benefit
- Need 40 credits (10 years) to qualify for benefits; earn a maximum of four credits per year
- Workers taxed on earnings at 6.20%—earnings above \$142,800 in 2021 are not subject to Social Security tax
- The 2021 maximum Social Security benefit at full retirement age:
 - Monthly: \$3,345
 - Annual: \$40,140

Spousal, survivor and ex-spouse (divorce) benefits

Spouse

Eligible to receive the higher of either:

- Benefits they may have earned on their own record
- Half (50%) of spouse's primary insurance amount (up to FRA)
- Spousal benefits do not increase FRA

Spouse cannot collect on your record until you file for benefits and spouse must be at least age 62.

You can file for your own benefit starting as early as age 62

- Social Security Administration (SSA) will then look to see if your spouse has claimed. If so, you will get the higher of your own benefit or 50% of your spouse's FRA benefit, no matter what age your spouse claimed their benefit (age 62 to 70)
- Spousal benefit is reduced if you claim prior to your FRA

Full retirement ages and early retirement reductions

Year of birth	Full retirement age (FRA)	No. of months from age 62 to FRA	Total % reduction
1954 and earlier	66	48	25.00%
1955	66 and 2 months	50	25.84%
1956	66 and 4 months	52	26.66%
1957	66 and 6 months	54	27.50%
1958	66 and 8 months	56	28.33%
1959	66 and 10 months	58	29.17%
1960+	67	60	30.00%

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If your spouse has not yet claimed

You will receive your own benefit, based on the age you claim (62 to 70). However, once your spouse claims, SSA will again determine if your spousal benefit would then be higher than your own benefit

- Any reduction in the spousal benefit would be calculated, based on the age you claimed prior to your FRA

Survivor

A surviving spouse will generally receive 100% of the deceased's benefit or benefits on their own record at FRA but will not receive both:

- Reduced benefits can begin as early as age 60
- A surviving spouse can choose to take the survivor benefit first, then switch to their own benefit at a later date, or claim their own benefit first, then claim the survivor benefit at FRA
- Survivor benefits that start at age 60 are reduced by 28.50%
- Surviving spouse must remain unmarried or re-marry after age 60

Ex-spouse (divorce)

If married for at least 10 years and divorced for at least two years, an ex-spouse can get Social Security benefits based on the other ex-spouse's record:

- Both ex-spouses must be at least age 62 and the receiving ex-spouse cannot remarry or benefits are forfeited
- The benefits received by the ex-spouse have no effect on either the primary earner or their current spouse
- Divorced spouse can receive benefits even if other ex-spouse has not filed
- Divorced spouse of a worker who has died could get the benefits as a survivor



Did you know?

You can receive an 8% credit for each year you wait to claim benefits past full retirement age, up to age 70.

Help is available

All individuals and couples can benefit from a conversation with their RBC Wealth Management financial advisor. Contact your advisor today to discuss what Social Security benefits strategies are right for you.

Taking early benefits while continuing to work

Benefit reduction for earned income in early retirement			
	Age 62 to normal retirement age	Year of reaching full retirement age— months prior to attaining normal retirement age	Month attaining full retirement age and greater
Earned income	\$19,560	\$51,960	No limit
Reduction in benefit	\$1 for every \$2 earned	\$1 for every \$3 earned	Not applicable

Taxation of benefits

Amount of benefit subject to federal income tax		
	50% of benefit subject to federal income tax at your marginal tax rate	85% of benefit subject to federal income tax at your marginal tax rate
Filing individually	Combined income* of \$25,000 to \$34,000	Combined income* more than \$34,000
Filing jointly	Combined income* of \$32,000 to \$44,000	Combined income* more than \$44,000

Note: 37 states do not tax Social Security benefits

*Combined income = Adjusted gross income + non-taxable interest + 1/2 of Social Security benefit

Summary of changes for married couples

	Age 62 by January 1, 2016	Under age 62 by January 1, 2016
Strategy	Birthdates May 1, 1950, through January 1, 1954	Birthdates January 2, 1954, and later
File and suspend	No longer allowed	No longer allowed
Filing restricted application	Still available at FRA or older, if eligible for spousal benefits Those turning 66–69 in 2020 can still take advantage of this strategy, which allows them to file for a spousal benefit while letting their own benefit grow up to age 70.	No longer allowed



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