

Getting Ready for Social Security

Kimberly Foss, CFP®, CPWA®

You've spent years working, saving, and paying taxes; now you're approaching retirement, and it's time to make sure all your benefits and sources of income are in place. For the vast majority of retirees, Social Security benefits make up a sizeable portion of the funds you'll need to maintain your retirement lifestyle. But there are a lot of things to consider related to your Social Security benefits, and you need to start the process well in advance of when you actually intend to retire. You also need to be well informed about all your options and how these choices will impact your Social Security income and, potentially, the income available to a spouse.

Accessing Your Social Security Account

Did you know that, if you work and pay taxes—either self-employment taxes or withholding from wages paid by an employer—you have an account with the Social Security Administration? If you're thinking about retirement and you haven't already done so, the first thing you need to do is create your free online access to your Social Security account. It's easy, it's free, and maybe most important, setting it up properly makes it more difficult for hackers to steal your identity and, potentially, your Social Security benefits.

To get started, go to <https://www.ssa.gov/myaccount/>. There, you'll be able to click on a button, "Create an Account," and the program will walk you through the process. You'll need to provide some basic information and create a user name and password. When you've done that, you'll be able to log in to the site and view your Social Security statement and earnings record, use various online calculators, and access information you'll need in order to make informed decisions and plans regarding your Social Security benefits. When the time comes, you can also use your online access to submit your application for Social Security benefits.

Qualifying for Social Security

To qualify for benefits, you must have at least 40 credits: these are accounting units used by the Social Security Administration (SSA) to assess how much and for how long you or your employers have been paying into the Social Security system. In 2022, for example, you earn one credit for every \$1,510 earned in wages or self-employment income. When you've earned \$6,040, you have four credits, which is the maximum you can earn in any year. The amount needed to earn credits are adjusted each year in accordance with national wage statistics. There are various types of benefits available, and each has different requirements for qualification:

- **Retirement income benefits:** You must have 40 credits to qualify.
- **Survivor benefits:** Paid to the spouse or children of a deceased worker, the amount of the benefit is determined by the length of time the worker or their employer paid into the system. Qualification for survivor benefits can begin with as few as six credits.
- **Disability benefits:** If a worker is disabled, they may qualify for Social Security Disability Insurance (SSDI). Qualification depends on the age at which the disability occurred. For workers disabled at age 24 or younger, as few as six credits may be needed. For those 31 and older, a minimum of 20 credits will usually be required.

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- **Spousal benefits:** A spouse who has little or no Social Security wages or earnings may qualify for a benefit on the basis of a spouse's earnings record. Even if you are divorced from the spouse, if the marriage lasted at least ten years and you have not remarried, you may qualify to receive a spousal benefit, subject to age requirements (discussed below).

When You Should Begin Collecting Benefits

The amount of your benefit will be determined by how much you have paid into the system and by your age at the time you begin receiving benefits. You can begin receiving benefits as early as age 62 ("early retirement"), but your benefit will be reduced permanently. Your full retirement age, at which you will receive your full benefit, is determined by your date of birth.

- For those born 1943–1954: age 66
- For those born 1955–1959: age 66–67 (see "Full Retirement Age Chart" at <https://www.ssa.gov/benefits/retirement/planner/agereduction.html>)
- For those born after 1960: age 67

You do not have to begin taking your benefit at full retirement age, however. In fact, if you delay receiving benefits past your full retirement age, your benefit will increase by 8% per year (for those born 1943 or later) until age 70. Once you reach age 70, your benefit will not increase, no matter how long you wait. So, for example, if you are at full retirement age at 66 and your benefit is \$2,500 per month, by waiting until age 70 to claim your benefits, the monthly amount would increase to around \$3,300.

For spousal benefits, you may apply as early as age 62, but the benefit will be reduced, as discussed above. At full retirement age, your spousal benefit cannot exceed one-half of the benefit for which your spouse is qualified. If you have your own earnings record and your benefit would be greater based on that, you will receive your own benefit instead of a spousal benefit. Your spousal benefit will not increase past full retirement age, regardless of whether your spouse delayed receiving benefits or not. Spousal benefits do not affect the amount of benefits payable to the spouse on whose earnings record they are based.

A Big Decision

Deciding to retire is a big step, and it bears careful consideration. In addition to decisions about Social Security, you also need to think about any pension income you'll be receiving, how your retirement accounts (401Ks, IRAs, 403Bs, and others) are positioned, and even whether you plan to continue working part-time to supplement your retirement income. Getting your mind around all these factors can be overwhelming, and this is where a qualified, professional, fiduciary financial advisor can really help. An advisor can help you make sure you've considered all your sources of income, help you forecast your tax situation in retirement, provide assistance with investments, and advise about such matters as the timing of your Social Security benefit, spousal bene-

fits, and a host of other practical matters. Empyrion Wealth Management is a fiduciary financial advisor, which means that any guidance or advice we give is delivered with the client's best interests foremost. You can reach us at 800-787-7634 or by going to <https://empyrionwealth.com/contact/>.

Your Social Security Checklist

You should begin the application process at least four months prior to the time you want to begin receiving benefits. When you are ready to apply, make sure you have the following information handy:

- Your date and place of birth and Social Security number;
- The name, Social Security number, and date of birth or age of your current spouse and any former spouse;
- The dates and places of marriage and dates of divorce or death (if applicable);
- Your bank or other financial institution's routing transit number and your account number;
- If you are applying for retirement benefits, the month you want your benefits to begin. You may also need to supply copies of an original birth certificate, proof of citizenship if you were born outside the US, and W2 forms for the previous year. If you apply online, the application will list any required documents you need to submit.

Use this handy checklist to make sure you're ready to apply:

- Set up your online account at My.SSA.gov
- Review your earnings record for accuracy
- Estimate your benefits using the SSA online calculator
- Gather your documents
 - Social Security card
 - Marriage license (if applicable)
 - Divorce decree (if applicable)
 - Your earnings record (available through your online account)
- Contact SSA
 - call 1-800-772-1213 (or apply online at My.SSA.gov)

For more detailed information, review the SSA guide to applying for benefits at <https://www.ssa.gov/pubs/EN-05-10377.pdf>.

About the Author

Kimberly Foss, CFP®, CPWA®, is the Founder and President of Empyrion Wealth Management™ and the New York Times–bestselling author* of *Wealthy by Design: A 5-Step Plan for Financial Security*. She brings both technical expertise and real passion to her work with her clients, including affluent family stewards, women in transition, and thriving retirees. Kimberly shows her clients that it's possible to seize control of one's own financial destiny. She is committed to helping her clients make wise investment choices while avoiding costly mistakes in building wealth.

Kimberly began her career at Merrill Lynch as the youngest female account executive at the time. She later left the commission-driven environment of a stock brokerage firm to found E&A Investment Advisory, which was renamed Empyrion Wealth Management™ in 2002. A respected thought leader, Kimberly frequently shares her financial expertise with leading media outlets, including *The Today Show*, *Good Morning America*, *CNBC*, *Fox News*, *Fox Business*, *The Wall Street Journal*, *MSN Money*, *Forbes*, *Investor's Business Daily*, and *U.S. News & World Report*. In 2021 and 2022, Kimberly was named as an **Investopedia 100 Top Financial Advisor** as recognition of one of the country's most engaged and influential advisors.

Sources:

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3. AARP, "Can I Collect Social Security on My Spouse's Record?" AARP.org, <https://www.aarp.org/retirement/social-security/questions-answers/spouse-social-security.html>
4. US Social Security Administration, "Learn about Retirement Benefits," <https://www.ssa.gov/benefits/retirement/learn.html>
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* *Wealthy by Design: A 5-Step Plan for Financial Security* by Kimberly Foss ranked 7th in the "Advice, How-To & Miscellaneous" category of the New York Times Best Seller list on July 7, 2013, which can be accessed directly here. The designation of Kimberly Foss as a New York Times best-selling author is derived from this appearance. This recognition pertains to one particular category of the New York Times Best Seller list and refers to one specific point in time (ranking on weekly list reflect sales for the week ending 6/21/2013).

