

FedMax™

Social Security Optimization eBook



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About the Author



Vincent J. Bono, JD

Vince Bono worked his way through Seton Hall Law School by helping lawyers and federal employees plan for a stronger retirement. After graduation, Vince became a licensed Reinsurance Intermediary helping high wealth clients with “unique backgrounds”, obtain insurance, when other companies declined to insure them.

In 1984 Vince joined his friend Lawrence Tero (Mister T) in creating the CBS Movie of the Week, “The Toughest Man In The World”, and while in Hollywood wrote eight additional made for TV stories. In 1987 Vince returned to the high-risk insurance industry and founded The Insurance Exchange of America, which was sold in 1991.

In 1991 Vince changed industries and founded Vista International Communications, a regional long distance phone carrier specializing in mid-sized businesses. In 1997 Vince sold Vista to an AT&T subsidiary and retired, but not for long.

In 1999 Vince founded Trans Atlantic Reinsurance Company which was sold and then in 2003 he founded Federal Employee Advocates, helping tens of thousands of federal employees plan for a stronger federal retirement. Contemporaneously, Vince helped create Safe Money Innovators.

Since that time, Vince has published hundreds of articles, eBooks, Whitepapers, and videos related to helping federal employees maximize their benefits, and plan for a stronger federal retirement, and he has hosted over 150 monthly Webinars on the topic.

Prelude

Social Security is doomed and there isn't a darn thing anybody can do about it. Not the President, not the Congress, not the Senate, not the Governors, not the Supreme Court, not the Banks, not the Army, Air Force, Navy, or Marines, and the impact will be felt around the world.

Anything that could have been done should have been done in 1999, when the National Debt was \$5.6 Trillion but in that year we had a \$126 Billion Dollar Surplus. The politicians back then were either too cowardly or too dense to take that \$126 Billion and put it into the Social Security Fund; with interest it would now have \$630 Billion more than it has. With an annual Social Security deficit of \$67 Billion, that would have bought us another 10 years before the Fund is at zero and avoided the inevitable 28% cut to your Social Security payments in 2032, as is now predicted by the Social Security Trustee and Actuaries. We predict it will be 28% but not in 2032 as predicted, but in 2030.

The reason we predict 2030, is that three short years ago, the very same Congressional Budget Office that then predicted the Social Security "Zero Date" to be in 2034, now states with certainty it will be 2032. The answer as to why they changed their mind is simple; the National Debt three years ago was \$33 Trillion and today it's \$39 Trillion. The National Debt will increase by \$4 Trillion, to \$43 Trillion Dollars by 2030 and that will be the day the 28% cuts will start.

And for those of you that think that taxing the rich is the answer, think again. The total net worth of all American Billionaires is around \$7 Trillion. If the Treasury Department totally confiscated every penny of that \$7 Trillion Dollars, we will still be 34 Trillion in National Debt and counting, and those Billionaires long before it happens, will move to the Bahamas, where there is no personal income tax.

So that's the bad news, now for some good news! It starts with an easy self-help way to make up for the 28% Social Security payment cut in 2032 (I still say 2030). As you continue to read through this eBook, the "easy self-help" methodology will become self-evident.

Section I

The Basics

Everything related to your Social Security is centered around your “Social Security Full Retirement Age”. Don’t confuse this with your MRA (Minimum Retirement Age), Medicare Eligibility Age, FERS Supplement Qualification Age, or Pension Age Calculation Age.

Social Security Full Retirement Age

Birth Year	SS Full Retirement Age
1943-1954	66 years old
1955	66 and two months
1956	66 and four months
1957	66 and six months
1958	66 and eight months
1959	66 and 10 months
1960 and later	67 years old

Income Based Reductions

The Minimum Age to start collecting Social Security retirement benefits is age 62, but there is an earnings test which can significantly lessen your payments if you do that.

If you have not reached your “Social Security Full Retirement Age” and start collecting Social Security, for every \$2.00 you earn above \$24,480 your benefit will be reduced by \$1.00. Your pension income is not included—only Wages & Business income are. This reduction also holds true for your FERS Special Supplement. Once you achieve your “Social Security Full Retirement Age”, there are no “Income Reductions”, regardless of much your income may be.

In the year you reach your “Social Security Full Retirement Age”, you can earn \$65,160 in that year, without any reduction of benefits. For every \$3.00 over that amount, your benefit will be reduced by \$1.00 until such time as you reach your “Social Security Full Retirement Age”.

Age Based Reductions

If you retire & start collecting Social Security before your “Social Security Full Retirement Age”, your payments will be reduced by approximately 6.25% per year for every year you start collecting before your “Social Security Full Retirement Age”. Assuming your “Social Security Full Retirement Age” is age 66, collecting at age 62 causes a permanent 25% reduction (6.25% x the four years until your FRA). If you started collecting at Age 64, the reduction is 12.5%. It’s not an “all or none” proposition.

If your “Social Security Full Retirement Age” is age 66, and at that time you would collect \$3000 a month, but you take your Social Security at age 62, you would receive \$2250 a month or \$27,000 a year. That additional \$27,000 a year for the four years you took Social Security early, equals \$108,000. On average, this means that your “Break Even Age” is 78 ½ years old, meaning that the decision to take Social Security four years earlier, would not negatively impact you for 16 ½ years!

Age Based Increase

If you retire & start collecting at age 70, your payments will be approximately 32.5% more than if you retired & collected at your FRA, again assuming your Social Security FRA is 66.

Social Security Taxation

Single Taxpayer: If your “Income” is between \$25,000 and \$34,000, you may have to pay income tax on up to 50 percent of your payments. (not a 50% tax). Income for this test includes your “Adjusted Gross Income”, Non-Taxable Interest, and 50% of your Social Security payments.

If more than \$34,000, up to 85 percent of your benefits may be taxable (not an 85% tax).

Married filing jointly: If you and your spouse have a combined income that is between \$32,000 and \$44,000, you may have to pay income tax on up to 50 percent of your benefits

If more than \$44,000, up to 85 percent of your benefits may be taxable.

Your income for the purposes of meeting the above criteria includes your Adjustable Gross Income, tax-exempt interest income and half of your Social Security.

Section II

Six Ways To Collect Social Security

1. Social Security Retirement Benefits:

Monthly payments, Primary Insurance Amount (PIA) are calculated using the individual's inflation adjusted 35 highest-earning years. 40 work credits (roughly ten years of employment) are needed for eligibility.

If you decide to claim early at age 62 through Full Retirement Age (FRA) it permanently reduces the monthly payment. Waiting past Full Retirement Age earns Delayed Retirement Credits. This increases the FRA PIA payout by 8% annually up to age 70. The delay to age 70 is like buying an enhanced, inflation-protected, high-yielding, guaranteed annuity.

2. Spousal Benefits: The Advantage of being married

The lower-earning or non-working spouse can claim up to 50% of the higher-earner's Primary Insurance Amount (PIA). Couples need to coordinate their timelines for filing. The spouse can claim the spousal match after the higher-earner files for their own retirement benefits. If the higher-earner can delay their own benefit until age 70 it will maximize the household's ultimate payment, the lower-earner might claim their own retirement benefit early and go to the larger spousal benefit later.

3. Survivor Benefits: Insuring a legacy

Monthly income paid to widow(er). Depending on age and disability, children may be eligible. Eligible divorced ex-spouses.

By delaying until age 70, the higher-earning spouse maximizes their own retirement benefit. A surviving spouse at Full Retirement Age (FRA) can inherit the deceased worker's maximized benefit which is critical! When either spouse passes away, the lower Social Security retirement benefit is forfeited! (The retirement cliff, widows' penalty). The widow(er) can claim their survivor benefit as early as age 60.

A claiming strategy can involve taking reduced survivor benefits while delaying their own retirement benefit until age 70.

4. Divorced Spouse Benefits: Protects Divorcees

It provides divorced individuals retirement or survivor benefits based on their ex-spouse's work history. This benefit does not affect the ex-spouse in any way. Contact the Social Security office to inquire about this possible benefit. To qualify for this benefit the marriage had to last 10 consecutive years. Remaining unmarried is also a requirement for this benefit. If the divorce is over 2 years the ex-spouse filing requirement is not needed.

5. Child & Dependent Family Benefits: The Multiplier for Generations

Benefits are paid to biological, adopted, stepchildren, or dependent parents.

Children are unmarried and under 18 (or 19 if still in high school).

For family members of a worker who is retired, disabled, or deceased.

Let us help you optimize this benefit before the children age out.

6. Disability Benefits (SSDI): The Safety Net when life happens

Monthly benefits for workers who face a long-term physical, or mental medical condition that prevents them from engaging in substantial gainful work.

This is an early retirement benefit that is not reduced for age. It gives you 100%

Of your full retirement benefit. You must have enough work credits to qualify.

(In general, you need 40 credits total with 20 credits earned in the 10 years prior to the disability). For younger workers the number of credits needed is less.