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# Top Questions About Social Security



If you plan on retiring anytime in the future, there are a few things you should know about Social Security and maximizing your benefits. In this document, we are going to cover the most common questions related to Social Security.

## How are Social Security benefits funded?

As an employee, you pay 6.2% of your income, up to a maximum of \$137,700 in 2020 for Social Security taxes. Your employer pays an additional 6.2%. If you're self-employed, you will have to pay the full 12.4% yourself, but keep in mind that the additional 6.2% is tax-deductible.

## When do benefits begin?

Your benefits kick in once you hit retirement age, but retirement age depends on when you were born. If you were born before 1938, your full retirement age is 65. If born between 1938 and 1960, the retirement age gradually increases from 65 to 67 and if you were born in 1960 or later, your full retirement age is 67.

You can start receiving Social Security retirement benefits at age 62, but the monthly benefit amount is reduced because it's before full retirement age. On the other hand, if you wait until age 70, your monthly benefit amount will be increased.

If you are in good health, there are significant benefits for waiting. For example, let's say your retirement age is 66 and your full monthly benefit is \$2,000. If you start taking Social Security early, at age 62, your benefit will be 75% of your full benefit; which is \$1,500 per month. Each year you delay taking a payment beyond retirement age, your benefit will increase 8% per year up to age 70. If you wait until age 70, your benefit would be \$2,640 per month.

## Can I change my mind about taking Social Security?

Some may opt to begin taking Social Security benefits early due to a temporary financial need. If you begin taking Social Security benefits, you can change your mind within 12 months. However, you would need to repay all the money you and your family have received, without interest, and withdraw your Social Security application. You can then apply for Social Security payments again at a later date, and the monthly payments will then be larger due to delayed claiming. However, each beneficiary can only use this option once.

## How long do I need to work to become eligible for benefits?

You are eligible for Social Security benefits after working for a minimum of 10 years. There is a system of credits which you collect by working and paying Social Security taxes. You earn up to 4 credits per year based on your annual earnings and need 40 to qualify for most types of benefits. Your benefit amount is based on the 35 years in which you earned the most money.

## What if I become disabled?

If you are disabled, you may be able to receive benefits earlier than retirement age. To qualify for Social Security benefits based on a disability other than blindness, you must have worked long enough and recently enough under Social Security's rules. Generally, you need 40 credits, 20 of which were earned in the last 10 years ending with the year you become disabled. However, younger workers may qualify with fewer credits.

## How much income can I expect?

Unfortunately, you shouldn't count on Social Security to fund your retirement. It was never designed to completely cover a person's retirement needs. In January of 2020, the average retiree received about \$1,500 per month in Social Security benefits.

## Can I continue to work and receive Social Security?

Social Security isn't just for retirees. You can still work and receive your full benefit as long as you have reached retirement age.

If you opted to take Social Security benefits earlier than retirement age, your benefit amount will be reduced if you earn more than a certain amount. \$1 will be deducted from your benefit payments for every \$2 you earn above the annual limit, which is \$18,240 for 2020. The good news is that you will receive a credit for the months your payments were reduced or withheld, and the amount of your future benefits will be recalculated. And, once you reach full retirement age, your earnings will no longer reduce your benefits, no matter how much you earn.



## How does Social Security work for married couples and families?

Married couples are eligible to take their own Social Security benefits or up to 50 percent of their spouse's benefits; whichever amount is greater. Even divorced spouses may be eligible for benefits based on their ex-spouse's work record.

Surviving spouses are eligible to receive their deceased spouse's benefits in many situations. The deceased person's parents, children, or grandchildren may also be eligible for benefits if certain criteria are met.

## Do I pay taxes on Social Security benefits?

If you receive Social Security benefits, you may be required to pay taxes on the income. Your combined income would need to be over \$25,000 if your filing status is single and over \$32,000 if you are married and filing jointly.

## Next Steps

There's of course a lot more to know about Social Security benefits. If you have questions or need assistance with your retirement planning, please contact our office. We're always happy to help.



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