

MAXIMIZING RETIREMENT RESOURCES

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RETIREMENT RESOURCES

- When should you take / when are you required to take:
 - Social Security
 - Qualified Retirement
 - Non-Qualified Annuities
 - Other Savings and Investments

SOCIAL SECURITY RETIREMENT

- Based on credits for # of quarters worked: born after 1929, 40 credits required.
- Stop working? Credits on hold; resume earning credits when return to work.
- Born 1943 - 1954: full retirement age is 66.
- Born 1954 – 1960: full retirement age Increases by 2 months per birth year, i.e. 1955 = 66 years and 2 months; 1959 = 66 years and 10 months.
- Born 1960 or later: full retirement age is 67.

HOW MUCH WILL I GET?

- STEP 1: ENTER YOUR EARNINGS IN COLUMN B, BUT NOT MORE THAN THE AMOUNT SHOWN IN COLUMN A. IF YOU HAVE NO EARNINGS, ENTER "0."
- STEP 2: MULTIPLY THE AMOUNTS IN COLUMN B BY THE INDEX FACTORS IN COLUMN C, AND ENTER THE RESULTS IN COLUMN D. THIS GIVES YOU YOUR INDEXED EARNINGS, OR THE ESTIMATED VALUE OF YOUR EARNINGS IN CURRENT DOLLARS.
- STEP 3: CHOOSE FROM COLUMN D THE 35 YEARS WITH THE HIGHEST AMOUNTS. ADD THESE AMOUNTS. \$ _____
- STEP 4: DIVIDE THE RESULT FROM STEP 3 BY 420 (THE NUMBER OF MONTHS IN 35 YEARS). ROUND DOWN TO THE NEXT LOWEST DOLLAR. THIS WILL GIVE YOU YOUR AVERAGE INDEXED MONTHLY EARNINGS. \$ _____
- STEP 5:
 - A. MULTIPLY THE FIRST \$895 IN STEP 4 BY 90%. \$ _____
 - B. MULTIPLY THE AMOUNT IN STEP 4 OVER \$895, AND LESS THAN OR EQUAL TO \$5,397, BY 32%. \$ _____
 - C. MULTIPLY THE AMOUNT IN STEP 4 OVER \$5,397 BY 15%. \$ _____
- STEP 6: ADD A, B, AND C FROM STEP 5. ROUND DOWN TO THE NEXT LOWEST DOLLAR. THIS IS YOUR EST. MONTHLY RETIREMENT BENEFIT AT AGE 66 AND 4 MONTHS, YOUR FULL RETIREMENT AGE. \$ _____
- STEP 7: MULTIPLY THE AMOUNT IN STEP 6 BY 73.33%. THIS IS YOUR ESTIMATED MONTHLY RETIREMENT BENEFIT IF YOU RETIRE AT AGE 62. \$ _____

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings	Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1957	\$4,200		13.36		1987	\$43,800		2.64	
1958	\$4,200		13.25		1988	\$45,000		2.52	
1959	\$4,800		12.62		1989	\$48,000		2.42	
1960	\$4,800		12.14		1990	\$51,300		2.31	
1961	\$4,800		11.91		1991	\$53,400		2.23	
1962	\$4,800		11.34		1992	\$55,500		2.12	
1963	\$4,800		11.07		1993	\$57,600		2.10	
1964	\$4,800		10.63		1994	\$60,600		2.05	
1965	\$4,800		10.45		1995	\$61,200		1.97	
1966	\$6,600		9.85		1996	\$62,700		1.88	
1967	\$6,600		9.33		1997	\$65,400		1.77	
1968	\$7,800		8.73		1998	\$68,400		1.69	
1969	\$7,800		8.26		1999	\$72,600		1.60	
1970	\$7,800		7.87		2000	\$76,200		1.51	
1971	\$7,800		7.49		2001	\$80,400		1.48	
1972	\$9,000		6.82		2002	\$84,900		1.46	
1973	\$10,800		6.42		2003	\$87,000		1.43	
1974	\$13,200		6.06		2004	\$87,900		1.37	
1975	\$14,100		5.64		2005	\$90,000		1.32	
1976	\$15,300		5.27		2006	\$94,200		1.26	
1977	\$16,500		4.98		2007	\$97,500		1.20	
1978	\$17,700		4.61		2008	\$102,000		1.18	
1979	\$22,900		4.24		2009	\$106,800		1.20	
1980	\$25,900		3.89		2010	\$106,800		1.17	
1981	\$29,700		3.53		2011	\$106,800		1.13	
1982	\$32,400		3.35		2012	\$110,100		1.10	
1983	\$35,700		3.19		2013	\$113,700		1.08	
1984	\$37,800		3.02		2014	\$117,000		1.05	
1985	\$39,600		2.89		2015	\$118,500		1.01	
1986	\$42,000		2.81		2016	\$118,500		1.00	
					2017	\$127,200		1.00	

TAKING SOCIAL SECURITY EARLY

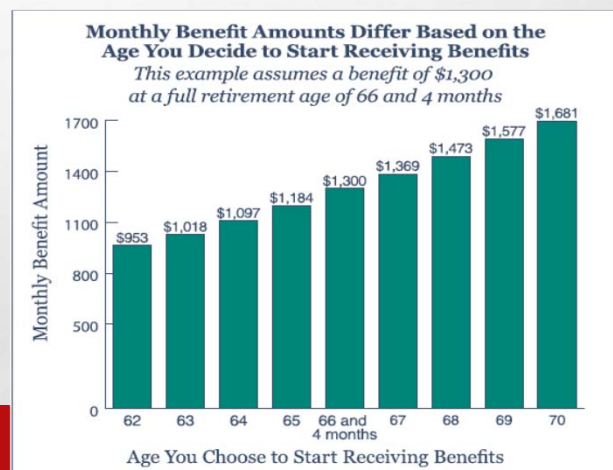
- Earliest age to take social security is 62.
- permanently reduced by 5/10 of 1% for each month.
- If taken more than 36 months before full retirement age, the benefit is further reduced by 5/12 of 1% per month.
- Example: at full retirement age of 66, if benefits commenced at age 62 means the reduced benefit will be reduced by a full 25%-- based on 48 months; the reduction for the first 36 months is 20% (5/9 of 1% x 36 months), and for the remaining 12 months is 5% (5/12 of 1% x 12 months).

WORKING AFTER TAKING SOCIAL SECURITY

- Continue working after receiving Social Security retirement benefits but before reaching full retirement age, your benefit will be reduced if annual earnings exceed \$17,040.
- If younger than full retirement age, \$1 in benefits will be deducted for every \$2 earned above \$17,040.
- In the year full retirement age is reached, \$1 in benefits will be deducted for every \$3 earned above \$43,360.

WAITING TO TAKE SOCIAL SECURITY

- Working after full retirement age?
- If so, when should you start?
- Benefits increase until you start taking benefits or until age 70.
- Example provided in SSA Publication No. 05-10147.



SOCIAL SECURITY FAMILY BENEFITS

- Spouses who have not worked or have low earnings can receive up to $\frac{1}{2}$ of a retired worker's full benefit.
- If eligible for individual benefits or the spouse's benefit, Social Security will pay the individual benefit first.
- Example: deemed filing (filing for individual and $\frac{1}{2}$ spouse). Wife's benefit is \$200, and her spouse's benefit is \$400, at full retirement age wife will receive her own \$200 and \$200 from her spouse ($\frac{1}{2}$), for a total of \$400.

SOCIAL SECURITY FAMILY BENEFITS

- Spousal Benefits are reduced if the spouse retires before full retirement age.
- At age 62, a spouse can get 37.5% of the worker's unreduced benefit if full retirement age is 65.
 - 35% if full retirement age is 66.
 - 32.5% if full retirement age is 67.

SOCIAL SECURITY SURVIVOR BENEFITS

- Widow(er) at full retirement age or older generally receives 100% of the worker's basic benefit amount. **Remember- survivor won't get both.**
- Widow (er) between age 60 and full retirement age receives 71 - 99% of the worker's basic benefit amount.
- Disabled surviving spouse can receive benefits as early as age 50.

SOCIAL SECURITY SURVIVOR BENEFITS

- Widow(er) of any age with a child under 16 years old gets 75% of the worker's benefit amount.
- Widow(er) taking care of a child younger than 18 (or 19 if full-time student) can also get benefits.
- A child receives 75% of the worker's benefit amount.

INCOME TAX ON SOCIAL SECURITY

- Dependent on modified adjusted gross income/ Provisional income = adjusted gross income plus non-taxable interest payments plus ½ of Social Security benefit.
- Base Exclusion Amount NO TAX IF:
 - \$25,000 if single, head of household or qualifying widow(er).
 - \$25,000 if married filing separately and lived apart from spouse for entire calendar year.
 - \$32,000 if married filing jointly.
 - \$0 if married filing separately and lived with spouse at any time during the calendar year.

INCOME TAX ON SOCIAL SECURITY

- Example: Married couple (both over 65Y0) filed a joint 2017 return. SSA-1099s report Social Security of \$7,500 and \$3,500. One spouse has a \$25,800 pension and interest income of \$500 (not tax-exempt). Base amount is \$32,000. Worksheet:

Filled-in Worksheet A. A Quick Way To Check if Your Benefits May Be Taxable
 If you plan to file a joint income tax return, include your spouse's amounts, if any, on lines A, C, and D.

A.	Enter the amount from box 5 of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2017, for 2017 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.).....	A.	\$11,000
Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.			
B.	Enter one-half of line A	B.	5,500
C.	Enter your total income that is taxable (excluding line A), such as pensions, wages, interest, ordinary dividends, and capital gain distributions. Do not reduce your income by any deductions, exclusions (listed earlier), or exemptions.....	C.	26,300
D.	Enter any tax-exempt interest income such as interest on municipal bonds.....	D.	-0-
E.	Add lines B, C, and D.....	E.	\$31,800

WHEN SHOULD I TAKE SOCIAL SECURITY?

- Are you still working?
- Cash Needs?
- Life Expectancy?
- Break-Even Age?
- Married? Spouse's Needs?
- Other Resources/Savings- IRAs, 401(k)s, Non-Qualified Savings?

SOCIAL SECURITY AND MEDICAID

- Retirement benefits, **INCLUDING SOCIAL SECURITY**, are considered available income for Medicaid eligibility purposes.
 - Applicant/Recipient keeps \$50 monthly income.
 - Community Spouse keeps \$3,090 monthly income.
 - Community spouse can make up the difference from the Applicant/Recipient up to \$3,090 monthly.

SOCIAL SECURITY AND MEDICAID

- **Community Spouse > \$3,090:**
 - Excess over \$3,090- 25% voluntary contribution to applicant/recipient spouse's care.
 - Example: \$5,000 - \$3,090 = \$1,910 x .25 = \$477.50. Community Spouse keeps \$4,522.50.
 - Spousal refusal of voluntary contribution may trigger a support action by DSS.
- **Community Spouse < \$3,090:**
 - May build up to \$3,090 by taking from nursing home spouse's income.
 - Example: CS income of \$800/month with a spouse in nursing home who has \$5,000/month income. CS takes \$2,290 from applicant/recipient to get to \$3,090. Applicant/recipient gets \$50. Nursing home gets \$2,660.

QUALIFIED RETIREMENT

- **Traditional IRAs:** Pre-tax contributions with limits based on income, filing status and whether owner is also covered by an employer plan. Tax-deferred until withdrawn. Required minimum distribution rules beginning at age 70 ½.
- **Roth IRAs:** After-tax contributions (not deducted). No tax on withdrawal as long as account owned for 5 years and owner is 59 ½ YO or older.
- In 2018, total contributions to all traditional and Roth IRAs is \$5,500 (\$6,500 if 50YO or older).

QUALIFIED RETIREMENT

- **401(k)**: Defined contribution plan where an employee can make contributions from his or her paycheck either before or after-tax, depending on the options offered in the plan. Contributions may be matched by employer.
- **403(b)**: Retirement plan offered by public schools and certain tax-exempt organizations.
- Maximum employee contribution in 2018 is \$18,500.
- Maximum employee catch-up contribution (50Y0+) in 2018 is \$6,000.
- Defined contribution maximum limit = \$55,000.

QUALIFIED RETIREMENT & MEDICAID

- IRAs, Keoghs, 401(k)s
 - Considered available as illiquid assets.
 - Resource value is the amount of money that may be currently withdrawn.
 - Reduced if there is a penalty for early withdrawal.
 - Ordinary income taxes due are not deductible.

QUALIFIED RETIREMENT & MEDICAID

- Not considered available if in PAYOUT:
 - Over 70 ½ years old taking required minimum distributions (RMDs), converted from resource to income.
 - Under 70 ½ years old, if disabled, put into payout under IRC 72(t), converted from resource to income.
- If in PAYOUT, now treated as INCOME, but RMD for IRS may not be RMD for Medicaid.

QUALIFIED RETIREMENT & MEDICAID

- GIS 06MA/004 amended the regulations effective as of January 12, 2006:
 - If a community spouse (CS) is NOT receiving periodic payments from his/her retirement fund, the fund is considered a countable resource.
 - If CS has elected to receive periodic payments from his/her retirement account, the retirement account is not a countable resource, but the periodic payments are CS's countable income.

QUALIFIED RETIREMENT ACCOUNTS

- RMD as Payout?
 - MAXIMIZATION is required.
 - Table attached to GIS 18 MA/08 provides a higher payout than the IRS table (GIS does not specifically apply to retirement account payouts but is most current life expectancy table issued by Social Security Administration).
 - Check with the local DSS before calculating.

QUALIFIED RETIREMENT & MEDICAID

- What if applicant/recipient is under 70 ½ years old?
 - Countable resource unless in payout.
 - Distributions to person under 59 ½ are subject to 10% penalty, unless in payout.
 - Payout means a series of substantially equal periodic payments under IRC §72(t), made to a disabled person.

QUALIFIED RETIREMENT & MEDICAID

- Tidbits:
 - If distribution is being made annually, divide by 12 for monthly amount considered.
 - Roth IRAs have no required beginning date, but are treated like traditional IRAs for Medicaid eligibility purposes.
 - IRC §72(t) conversion only works for a disabled person (on the disabled person's spouse).

NON-QUALIFIED ANNUITIES

- Right to receive fixed periodic payments for a term of years or lifetime due to investment of funds.
- Generally available resource.
- NOT available resource if meeting requirements of Deficit Reduction Act (DRA) but will be counted as INCOME.

ANNUITIES AND THE DRA

- Treated as a gift (subject to penalty) unless:
 - Irrevocable.
 - Non-Assignable.
 - Actuarially sound.
 - No deferral or balloon payments.
 - Payments must be in equal amounts.
 - NYS named as remainder beneficiary (other than community spouse).

COORDINATING THE ESTATE PLAN

- Work with the client's financial advisor and CPA before recommending when the client should take Social Security or Qualified Retirement distributions.
- Coordinate beneficiary designations and Wills/Trusts and jointly held assets.
- Consider consequences of distributing retirement to a trust (conduit or accumulation).
- Be sure the Powers of Attorney allow for broad gifting/beneficiary changes.
- Work with client to update beneficiary designations and account ownership during a Medicaid application process.