

Social Security 101: The Basics



Social Security and Medicare Contact Information

Social Security – Retirement

- Apply online: ssa.gov (click on the “Retirement” tile under “Benefits”)
- Call: 1-800-772-1213
- Find an office: ssa.gov/locator
- Establish an account: ssa.gov

Medicare

- Apply online: ssa.gov (click on the “Sign Up for Medicare” tile under “Apply”)
- For more information: medicare.gov
- Toll-free: 1-800-MEDICARE (1-800-633-4227)
- TTY number: 1-877-486-2048

Applying for Social Security Retirement Benefits

Items needed:

- Name(s) and date(s) of birth
- Name(s) of current and former spouses
- Social Security Number(s)
- Certified birth certificate
- Proof of citizenship or alien status
- Bank account information for direct deposit (required)
- W-2 or Federal Tax Return
- Most recent annual statement
- Certified marriage certificate
- Spouse’s most recent annual statement
- Divorce decree(s)
- Children’s names and dates of birth
- Military discharge papers

Social Security Terms

Fully Insured Worker – A worker who has fulfilled at least the minimum requirements (40 quarters or credits of payments into the system, equal to 10 years of covered employment) to qualify for retirement benefits.

Eligibility – To receive retirement benefits, an applicant must be at least age 62, be a U.S. citizen or legal alien, and be fully insured, or the spouse, ex-spouse or child/grandchild of a fully insured worker.

Primary Insurance Amount (PIA) – Unreduced benefit amount that a worker can receive at full retirement age. This amount is calculated as a percentage of the worker’s highest 35 years of Social Security earnings, indexed to a current value. Simply put, the PIA is “the benefit amount at full retirement age.”

Full Retirement Age (FRA) – When an individual is able to collect a “full” retirement benefit that does not reflect any reduction for age. For workers born in 1955, FRA is 66 and 2 months. For workers born between 1956 and 1959, FRA will increase by two months per year. For workers born in 1960 or later, FRA is age 67.

Reduced Benefit – A worker who elects to collect Social Security benefits prior to full retirement age will receive a permanently reduced benefit. The amount of the reduction depends on the number of months prior to FRA that benefits are claimed. At age 62, a worker whose FRA is 67, will receive the maximum reduction of 30%.

Delayed Retirement Credits – If a worker delays collecting retirement benefits beyond FRA, the amount of his or her benefit will continue to increase up to age 70 (but not beyond) based on Delayed Retirement Credits. Each year the start of benefits is delayed, the benefit increases by 8%. Delaying benefits to age 70 provides a benefit between 124% to 130.66% of the Primary Insurance Amount, depending on the full retirement age of the worker.

Social Security Terms (continued)

Cost of Living Adjustment (COLA) - Approved by Congress in 1950, COLAs are increases to retirement benefits based upon inflation. In 1972, Congress approved automatic annual benefit adjustments, based upon the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), beginning in 1975. The power of annual COLAs can be dramatic. During the period between 1974 and 1983 (nine years), COLAs doubled benefit amounts.

Social Security Payments are now made by direct deposit or prepaid debit card. Payments are made on the 2nd, 3rd, or 4th Wednesday of the month, based on the recipient's birthday. Benefits for January are paid in February.

Paid To Wait

2025 Maximum Primary Insurance Amount (PIA) = \$4,018		
	Worker	Spouse
At Full Retirement Age	\$4,018	\$2,009 (50% of PIA)
At Age 62	\$2,831	\$1,406 (35% of PIA)
At Age 70	\$5,108	\$2,009 (50% of PIA)
Average Worker's Benefit		\$1,976
Average Couple's Benefit		\$3,089

Considerations – When to Take Benefits

- Worker's retirement date/age
- Worker's benefit amounts
- Worker's health/longevity
- Continued earned income
- Retirement income and spending needs
- Other income sources
- Spouse's retirement date/age
- Spouse's benefit amounts
- Spouse's health/longevity
- Survivor benefits
- Family benefits
- Taxation of benefits

Spousal Benefits

- Spouse must be married for at least one year, or the parent of worker's child who is under age 16 or disabled.
- Spousal benefits available to "uninsured" and "underinsured" spouses:
 - » Spousal benefit exceeds "own" benefit
- Spousal benefit calculated on worker's PIA (benefit at full retirement age):
 - » Spouse at age 62, benefit = 35% of worker's PIA
 - » Spouse at FRA+, maximum benefit = 50% of worker's PIA
- Worker must be collecting his or her own benefits.
- Retirement benefits may also be available to other family members, including children and grandchildren.

Spousal Survivor Benefits

Upon a worker's death, survivor benefits are available to a surviving spouse and ex-spouse at age 60. Benefits may also be available for the deceased's children, grandchildren, and parents.

Eligibility: Surviving spouse was married to a worker for a minimum of nine months immediately before worker passed away and has not remarried prior to age 60.

Surviving Spouse at or Past Full Retirement Age:

Deceased not collecting benefits:

- Survivor receives deceased's PIA plus any Delayed Retirement Credits

Deceased collecting benefits:

- Survivor receives greater of deceased's benefit or 82.5% of deceased's PIA

Surviving Spouse Younger Than Full Retirement Age:

Deceased not collecting benefits or started benefits at or after FRA:

- Survivor receives deceased's PIA, discounted by .339% to .396%/month depending on survivor's age (28.5% @ 60)

Deceased started benefits before FRA:

- If deceased's benefit is greater than 82.5% of PIA: lesser of deceased's benefit or age discounted PIA
- If deceased's benefit is less than 82.5% of PIA: lesser of 82.5% of PIA or age discounted PIA

Strategies to Maximize Benefits

Maximize Survivor Benefit: Worker delays receipt of Social Security benefits, as late as age 70, with the intention to increase the benefit available to the surviving spouse as a survivor benefit. Typically this is done by the older spouse, the higher income spouse, or the spouse with the shorter expected longevity.

Switching Between Retirement and Survivor Benefits: If entitled to both and the survivor benefit is larger than the worker's retirement benefit, worker claims retirement benefit as early as age 62 and switches to the survivor at age 67 (no delayed retirement credits for survivor benefits). If entitled to both and the worker's retirement is bigger than the survivor benefit, worker claims the survivor benefit as early as age 60 and switches to the retirement benefit as late as age 70. The goal of this strategy is claim the smaller benefit first, let the larger benefit grow, and switch once it is maximized.

Ex-Spouse's Benefits

Ex-spouse must be **currently unmarried** and have been married to the worker for at least 10 years or caring for the worker's child who is under age 16 or disabled, and be divorced at least two years.

Benefits available to "uninsured" and "underinsured" ex-spouses:

- Spousal benefit exceeds "own" benefit

Ex-spousal benefit calculated on worker's PIA (benefit at full retirement age):

- Ex-spouse at age 62, benefit = 32.5%-35% of worker's PIA
- Ex-spouse at FRA, benefit = 50% of worker's PIA
- Ex-spouse at FRA+, benefit = 50% of worker's PIA

Worker must have attained age 62 or is collecting S.S. disability benefits. Age of FRA will determine the exact amount of reduction.

Impacts of Earned Income on Social Security

Earned Income: Loss of "early" benefits taken before Full Retirement Age

- Under FRA
 - Earned income limit: \$23,400
 - Benefit reduction: \$1 for each \$2 of earned income above limit
- Year FRA reached
 - Earned income limit: \$62,160
 - Benefit reduction: \$1 for each \$3 of earned income above limit
- At FRA and beyond
 - No earned income limit or benefit reduction

Taxation of Social Security Retirement Benefits

Provisional Adjusted Gross Income (PAGI): Taxation of benefits

- PAGI = Adjusted Gross Income (excluding Social Security) + tax exempt interest + 50% of S.S. benefit
- 2025 - Three limits, maximum percentage of Social Security benefit subject to taxation

PAGI for Single	PAGI for Married Filing Jointly	Percentage of Social Security Benefits Taxable
\$0-\$25,000	\$0-\$32,000	0%
\$25,000-\$34,000	\$32,000-\$44,000	50%
>\$34,000	>\$44,000	85%

Medicare: The Other “Retirement” Benefit

Medicare coverage is mandatory – primary payer at 65, with some exceptions if employed and covered under a qualified group plan.

- Medicare – federal health insurance age 65+, four parts:
 1. Part A – hospital, limited nursing home, hospice care – funded through payroll taxes
 2. Part B – medical, physicians, outpatient hospital – general fund and monthly premiums*
 3. Part C – Medicare Advantage Plans – private insurance in place of Parts A and B
 4. Part D – private outpatient prescription drug plans – general fund and monthly premiums*
- *Premium surcharges on higher income levels
- Medigap – private supplemental insurance to cover “gaps” in Medicare coverage

Apply three months prior to 65th birthday to start coverage at age 65.

Failure to enroll/late enrollment penalties:

- Part A – no health coverage
- Part B – no coverage, 10% penalty per 12-month period not enrolled – penalty for lifetime
- Part D – no coverage, penalty 1% of base premium per month not enrolled, for life

Apply online at ssa.gov.

Medicare Does Not Cover:

- Costs above Medicare-approved amounts
- Medicare deductibles and 20% co-insurance
- Long-term care
- Care outside of the U.S.
- Dental care
- Vision care
- Hearing aids
- Cosmetic surgery
- Acupuncture/other forms of alternative care

Top Ten Social Security and Medicare Surprises

Social Security

1. Can apply online, by phone, in person (do it in person)
2. Paid to delay benefit starting age (62 to 70)
3. All direct deposits or prepaid debit cards after 3/1/2013
4. “50% spousal” benefit available to spouse or ex-spouse during worker’s lifetime
5. Benefits are not tax exempt
6. Earned income may result in loss of benefits

Medicare

7. Mandatory at age 65 – penalties for not filing
8. Need separate private coverage for prescriptions
9. Need separate private Medigap/supplemental coverage
10. Does not cover long-term care

CORPORATE HEADQUARTERS:

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