

BUILDING BLOCKS FOR RETIREMENT

Social Security

Social Security – How Much Will You Keep?

Ever since you started working, you've paid FICA taxes. And now you're anxious to start collecting your Social Security benefits. But, if you have other income, your net benefits might be less than you think.

Let Me Count the Ways. You can begin collecting reduced Social Security benefits starting at age 62. But once your income exceeds \$16,920,* one dollar will be withheld for every two dollars you earn over the limit until you reach full retirement age (currently 66). During the year you reach full retirement age, you'll get a bit of a break. One dollar in benefits will be withheld for every three dollars in annual earnings over \$44,880* until the month you reach full retirement age.



After you reach full retirement age, you can earn as much as you want without having your benefits reduced. And there's more good news: Your benefit will be increased at your full retirement age to account for the withheld amounts.

Now for the Bad News. Uncle Sam still wants a share of your money. So, your Social Security benefits become taxable once your "provisional income" exceeds a certain threshold: \$25,000 for individuals and \$32,000 for married couples. Once income exceeds these limits, up to 50% of your Social Security benefits will be taxable. And up to 85% of benefits become taxable when income rises above \$34,000 for individuals and \$44,000 for married couples. You have to include any tax-exempt municipal bond interest you receive and one half of your Social Security benefits when calculating your provisional income.

Plan Ahead. A number of strategies may help you keep all your benefits: waiting to begin collecting Social Security until you stop working; converting a traditional individual retirement account (IRA) or 401(k) to a Roth IRA or Roth 401(k) before Social Security benefits begin, allowing you to take advantage of tax-free withdrawals; and holding growth rather than income-generating investments.

Keep in mind that many factors may affect your decision regarding when to claim benefits. Your health, finances, and family longevity may all play a role in your decision.

Your situation is unique, so be sure to consult a professional before taking action.



* For 2017. Amounts are adjusted annually.

This material is provided solely for informational purposes and does not constitute investment, tax, legal or accounting advice on the matters addressed. Neither Pentegra Services, Inc., its subsidiaries, nor any of their respective employees intend that this material should be relied on as investment advice, which should be sought from a professional advisor. Performance information shown reflects past performance and does not indicate or guarantee future investment results. Current and future results may be lower or higher than those shown. ©2017 Pentegra Retirement Services



701 Westchester Ave, Suite 320E, White Plains, New York, 10604