THE DYNAMIC DUO OF SOCIAL SECURITY PLANNING

What you don't know about Social Security planning could cost clients a fortune.

An interview with Publisher Paul Feldman

Social Security. It's something nearly every client will rely on for retirement income. But claiming Social Security can be complicated, and if done incorrectly, it can cost a client thousands of dollars at a time they need money most.

After 35 years of experience in public accounting, **Marc Kiner** realized that his clients needed help making Social Security decisions. But he needed to be educated on the topic himself, and he realized advisors needed to be educated on Social Security as well.

Kiner teamed up with **Jim Blair**, who was no stranger to Social Security. Blair had decades of experience working for the Social Security Administration, and he knew his way around the system.

The two of them are partners in Premier Social Security Consulting in Cincinnati, where they offer Social Security consulting to clients as well as advisors.

Seeing the need for advisors to learn more about Social Security, they began the National Social Security Advisor certificate program, giving advisors a tool to increase their value to clients.

Social Security is not a one-size-fits-all program, and each client's claiming decision depends on their individual situation.

In this interview with *InsuranceNewsNet* Publisher Paul Feldman, Kiner and Blair clear up some of the misconceptions about Social Security and discuss what inspires them to provide advice in this arena.

PAUL FELDMAN: You created one of the few Social Security planning certification programs. How did you both find yourself doing this?

MARC KINER: I earned my CPA license back in 1980. As time went on, I was getting more questions about Social Security from my clients. I did not know who to go to for answers, so I thought I would offer Social Security consulting services in my accounting practice.

I read two or three books cover to cover back in 2008, but I ended up with more questions than answers. So I knew I couldn't provide this service.

One day, I was in a local restaurant, and an attorney whom I had known for about 10 years walked in. I went up to him and asked him whether he knew anyone who could educate me about Social Security. He told me his uncle worked for the Social Security Administration and was going to retire in a few months. His uncle ended up being my partner, Jim Blair. I talked to Jim in 2009 and gave him my grand vision of where this company would go if he joined up with me, and he flatly turned me down.

JIM BLAIR: It's true. I had planned on retiring and going fishing.

But I learned about Social Security because I listened to my mom. She said, "You should get a job with the government." I got a job with the Social Security Administration as a service representative in Marion, Ohio. I was one of the folks who help people who have already started claiming Social Security. I helped people with retirement, survivor benefits and disability benefits. Eventually I ended up being a district manager, and I spent a total of about 35 years working for Social Security.

KINER: When Jim and I got together, our focus was to help folks across the country to understand and maximize their benefits. In 2013, we evolved into an education company when we created the first Social Security certificate program, called National Social Security Advisor. After a day of intense training, the advisor takes an assessment. After they pass the assessment, they are awarded the NSSA certificate, and they can indicate that they are a certificate holder on their marketing materials.

We don't sell investments or insurance. I don't do taxes or accounting. We just focus on Social Security, pure and simple.

FELDMAN: What are some changes with Social Security that every advisor should know?

BLAIR: The Social Security program doesn't change a whole lot. But there are always changes because of people getting older and the way Social Security computes benefits. The cost of living increase is that kind of thing.

What people need to understand is just because you're 62 years old doesn't mean it's time to apply for benefits. Everybody's situation is different.

I coined the term "situational Social Security." That's because so many factors will play into someone's claiming decision.

Now you know there's an eight-year window in which everyone decides when to start their benefits — up to age 70. Regardless of your full retirement age, you're going to start — or you should start — retirement in that eight-year window.

Why would you start taking benefits at 62? Why would anybody wait until 70? Or anywhere in between?

There are a lot of factors that go into that decision. And that's one of the things that we like to go over with our advisors.

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FELDMAN: Can you tell us about what's happening with Social Security? What is being proposed for Social Security?

BLAIR: It seems as though there is something proposed for Social Security every year but Congress never acts on it.

I think one thing we'll eventually see is a gradual raising of the full retirement age. Right now, full retirement age caps out at age 67. For someone born in 1960 or later, full retirement age is 67. It's a pretty good bet that it eventually will go up to age 70. We don't know when, and it won't be overnight. But certainly, people in their 20s, 30s, maybe early 40s can expect to see full retirement age go to if not 70 then some point close to 70.

There are other proposals regarding the benefit amount.

Currently, what you pay into the Social Security benefit is capped — at least for the Social Security part, not for Medicare — this year at $143,800. Next year, it's $147,000. They need to increase it, and they're looking at a couple of different ways to do it — maybe increasing it by about $100,000 to around $250,000.

There's also some talk that we would still cap it at $147,000. But then, if you earned more than $400,000, it would kick back in again. To keep those higher-earning individuals from getting an even higher benefit, they'll probably means test it. That scares a lot of people, means testing.

People want to know, what does that mean? Does that mean if my income is more than $100,000, I don't keep my Social Security?

It looks like they're going to change how benefits are computed. For example, if they look at 2022 as a year in the calculation, instead of the $250,000 that maybe you would pay, they only cap it at $147,000.

So there will be people paying a tax on the higher benefit that's not included in the calculation.

Those are the things I guess will probably happen. And just about every proposal is out there. We've seen a few others, maybe raising the initial age for claiming benefits from 62 to 64. Delayed retirement credit — I think most people know that if you delay at full retirement age, you earn an 8% a year increase. You stop earning that at age 70. If they raise the full retirement age to age 70, you can't earn delayed retirement credits. They go away. Are they just going to be gone? Are they going to raise them at age 72 or 74? And who wants to wait until age 74 to draw benefits?

Those are the kinds of changes we definitely are looking at.

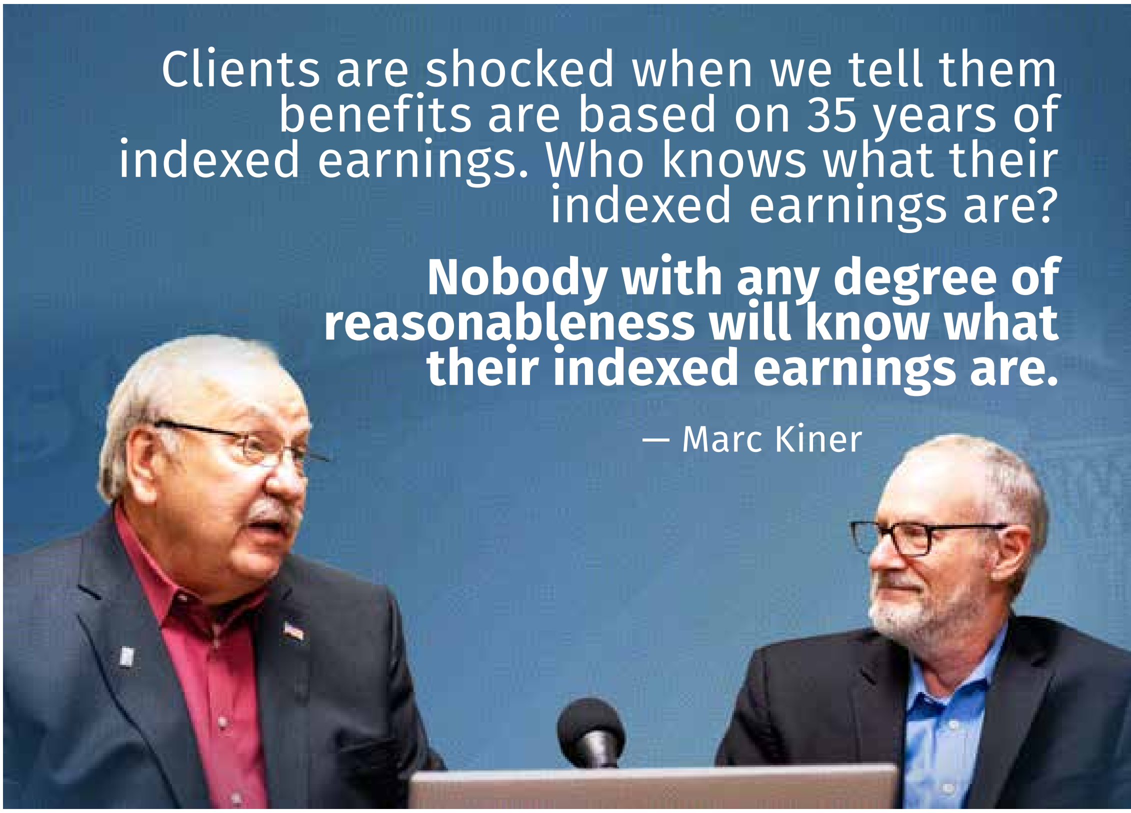
KINER: Let's also mention the restricted application being phased out. In 2023, the opportunity to claim off your spouse's record, leaving your benefits to grow or earn delayed retirement credits, that goes away. So folks born by that magic birthdate of Jan. 1, 1954, can still file that restricted app. But by the end of 2023, it's gone.

Restricted application is a strategy whereby you file for benefits off your spouse, while at the same time you get to grow any delayed retirement credits. Let's say I can get $2,000 a month off my work record. But I can also get $1,000 off my wife's record because she worked. I could follow restricted application and at my full retirement age, get $1,000 a month off my spouse. And when I turned my benefits on at age 70, now my benefits have grown by 32%, up to $2,640 a month. So I've collected a total spousal benefit of $48,000, and I have 32% more in delayed retirement credits. But you have to have been born by Jan. 1, 1954, to be able to take advantage of that strategy. So the number of people eligible to do this is steadily dwindling. But for those clients who are born before that date, the restricted application is definitely something to consider.

FELDMAN: What do you think people are most shocked to learn when they start planning for Social Security?

KINER: It's the number of options they have. It's not one size fits all.

You don't just rush on to Social Security when you hit age 62. To file, you definitely need to consider your options. Clients are shocked when we tell them benefits are based on 35 years of indexed earnings. Who knows what their indexed earnings are? Nobody with any degree of reasonableness will know what their indexed earnings are.



BLAIR: People are not aware of the 35 years. They think it's maybe five years of earnings or the last years of earnings. They don't understand that once those earnings are indexed, it does bring them closer to their current earnings. They think, I'll just earn a whole bunch more money toward the end, maybe the last five years, I'll increase my Social Security benefit, but it doesn't work that way. But they're surprised that their current work doesn't make that much of a difference in the amount of money that they're going to receive overall.

Another thing that people don't think about is the effect of taking benefits on a benefit available, then you allow for that additional amount. But you're always looking at your own benefit first. Social Security is going to pay you first based on your own benefit. If you apply on your own and your spouse is receiving benefits, they'll pay you on your own benefit now. So $100,000, $125,000. So if someone continues to work and makes $100,000 per year in FICA wages while receiving a benefit, they'll pay tax on $6,200 of those wages, and probably not see any increase in their Social Security benefits. Because $100,000 earned in 2022 is not more than the lowest year of index earnings used in the 35-year calculation.

So an advisor will tell their client, yes, benefits will go up because you pay more FICA taxes.

But the truth is that benefits are not going to go up. So the advisor will have a very disappointed and upset client, knowing after they find out they paid all of this FICA tax but their benefits did not go up.

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survivor benefit. Many times, you'll have couples where between the two of them, their Social Security income is fine. Then one of them will die. And your bills don't magically get cut in half when that happens. But you lose their Social Security. And that surprises a lot of people because they don't think about what the effect will be. It depends on how important survivor benefits fit in with the client's estate plan.

KINER: People also don't think about the fact that Social Security is ill prepared to provide advice to you. So if you go down to the Social Security office and you start to throw out some ideas, they can't help you. It's not their job to help you. It's their job to take the application for you, but not to provide you guidance and advice.

FELDMAN: What do you think that advisors don't know about Social Security but should?

KINER: Lack of information on how divorced spouses can claim benefits from an ex-spouse's record. Advisors don't understand this. The spouses had to have been married for at least 10 years, and they don't understand that for an ex-wife to collect from her ex-husband, he needs to be receiving a benefit unless they have been divorced for at least two years. And advisors don't understand that someone can file a restricted application claim off the work record of an ex-spouse while their own benefits grow or delay retirement credits.

BLAIR: Most people aren't aware exactly how spousal benefits work. You must take your own benefit first. If there is a spousal people don't understand how that spousal benefit is calculated.

FELDMAN: What question are you asked most frequently?

KINER: We get asked a lot of questions about cost-of-living adjustments. We also get asked a lot about the annual earnings test. If you begin receiving benefits prior to reaching full retirement age, there's a limit as to how much you can receive in earned income each year before Social Security withholds all or part of your benefits.

BLAIR: We get asked questions about people who are eligible for a pension from their work but they didn't pay into Social Security. In most states, that covers people who work in government, police, public school teachers. People ask what effect that has on their Social Security benefit.

And people need to go online and look at their Social Security benefit statements. They used to mail them out to everyone but stopped doing that a few years ago. It's a great planning tool, but you also need to make sure your information is correct, that they have your correct name and date of birth, that they are posting your wages for every year, and that they are correct.

KINER: Another common question we get is whether someone's benefits increase if they continue to work after receiving Social Security benefits. And the answer is it kind of depends. Now we look at someone's benefits based on their highest 35 years of indexed earning. So for the person who made $40,000 in 1985, their indexed amount on those earnings should be about

FELDMAN: What strategies should an advisor use to be successful in Social Security planning?

KINER: You need education, and you need a software tool.

My advice is to take time to learn about Social Security. This will help you to attract and connect with baby boomers as clients.

Social Security is not really a complicated program. But you need to be educated. And it's difficult to learn Social Security from a book. There are different facets to Social Security benefits. Attending a class is very important and goes a long way toward understanding the Social Security program. And then, just have patience and learn and read.

The last thing we want an advisor to say is, "Hey, Mr. or Mrs. Client, just go down to the Social Security office. They'll tell you how to claim benefits." It doesn't work that way.

Advisors need to be educated to understand situational Social Security. They need be ready to talk to their clients and prospects. They need to be ready to bring up the discussion about Social Security. If they're not, their clients will be the ones on the losing end.