



# SOCIAL SECURITY ADVISOR

## Social Security Planning for Retirement

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#### GUEST EXPERT: Ed Slott, CPA

Ed Slott and Company, LLC  
Rockville Centre, NY

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### Understanding the Family Maximum Benefit

Many people think of Social Security benefits as being payable to a worker and perhaps a spouse as well. That's true, but other recipients can be in the mix, including dependent children. Some families can have three, four, or even more members receiving Social Security benefits at the same time.

These payouts don't stack up to the sky, however. The SSA imposes rules that set a family maximum (FM) limit on how much money can flow into one household under the record of one worker. As is the case with all Social Security benefits, the FM is ultimately pegged to the worker's earnings history.

The FM benefit sets a monthly limit on how much a family of a worker (spouse, child, or survivor, for example) can receive on one worker's earnings record. In some cases, a worker may have relatives who lack coverage or who are entitled to a smaller benefit and therefore could be eligible for auxiliary benefits under the worker's record.

When calculating the FM benefit, note the computation formula differs for The Old-Age and Survivors Insurance Trust Fund (OASI) benefits and Disability Insurance (DI) benefits, with disability rules imposing stricter limits. Knowing both sets of rules can help with planning for multiple Social Security benefits.

We'll begin by highlighting the FM rules that apply to retirement and survivor benefits.

#### OASI FM Computation Formula

If a worker is collecting retirement benefits or is deceased, the FM calculation uses a 4-tier formula that caps the amount of monthly benefits that may be paid to the family of one worker. The worker's primary insurance amount (PIA) is applied to the formula, regardless of when the worker claims Social Security benefits.

The PIA is the monthly payment that workers will receive if they claim their Social Security benefits at full retirement age (FRA). A worker's PIA is determined by using the highest 35 years of indexed earnings. In our [February 2021](#) issue, we explored the steps that are taken to compute someone's PIA.

For the family of a worker who turns age 62 or dies before attaining age 62 in 2021, the FM monthly benefit is computed as not to exceed:

- 150% of the first \$1,272 of the worker's PIA; *plus*
- 272% of the worker's PIA over \$1,272 through \$1,837; *plus*
- 134% of the worker's PIA over \$1,837 through \$2,395; *plus*
- 175% of the worker's PIA over \$2,395.

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