



SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

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Join the Retirement Planning Conversation



Year-End Planning for Social Security and Medicare

November and December traditionally have been the months for diligent year-end tax planning. Savvy moves made by December 31 can pay off in significant tax savings by next April 18.

For people approaching and going through retirement, year-end planning should include Social Security and Medicare. Some actions may help save taxes, but other benefits may be realized as well. Improved medical care at reasonable costs might result from focusing on Medicare while preparing a Social Security strategy can pay off in greater lifelong benefits.

Thus, here is your year-end checklist.

Social Security

1. People who have yet to start Social Security should decide if they'll be claiming retirement benefits by year's end or during 2022. Possible start dates range from age 62 to age 70.

Step one in decision making is knowing one's full retirement age (FRA), now ranging from age 66 to age 67 ([Benefits Planner: Retirement | Retirement Age and Benefit Reduction | SSA](#)). Starting before FRA will result in lower monthly payments; delaying until after FRA will produce greater cash flow for the claimant, once Social Security begins,

and perhaps a benefit step-up for a surviving spouse.

The key point to consider now is whether substantial earned income is expected in 2022. If so, it may be wise to wait at least until FRA to start Social Security. At FRA, unlimited earnings are permitted without triggering a holdback of Social Security benefits.

2. Avoid the "tax torpedo." This expression refers to the extremely high marginal income tax rates that may result from mixing Social Security benefits with IRA distributions.

If a senior's combined income (including half of Social Security benefits) will be well over \$34,000 (or \$44,000 on a joint return), it's likely that as much as 85% of the benefits will be subject to federal income tax, regardless of any planning. With lower combined income, though, eluding the tax torpedo can be very helpful. Retirement income before age 70 might include either Social Security or IRA withdrawals, rather than both.

3. Review this year's earnings. As mentioned, substantial earnings before FRA will result in some Social Security benefits being withheld and repaid in the form of a higher monthly benefit at FRA.

In 2021, this so-called earnings penalty kicks in at \$18,960 of earned

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