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GUIDE TO MAXIMIZING SOCIAL SECURITY BENEFITS

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Anchin, Block & Anchin LLP
1375 Broadway, New York, NY 10018
212.840.3456 www.anchin.com

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ABOUT THE AUTHORS

RICHARD H. STIEGLITZ, CPA

richard.stieglitz@anchin.com

Partner

Tax Planning and Compliance

Richard Stieglitz, CPA, is a tax partner at Anchin. He is the Tax Leader of the Firm's Consumer Products Group and a member of its Tax Credits & Incentives Group. He has 41 years of experience in public accounting, with 33 years exclusively in the field of taxation. He is a noted authority on Empire Zone benefits and has given numerous seminars on the program. He also has extensive experience in Planning for High Net Worth Individuals (including Family offices), Educational Tax Incentives (including 529 Plans), Social Security strategies, Art taxation issues, Horse Racing and Breeding taxation issues, International issues, Independent Contractor/Employee issues and State and Local Nexus issues. He has written numerous articles which have appeared in Law Firm Partnership and Benefits Report, where he serves on the Board of Editors. He also has articles published in Accounting & Financial Planning for Law Firms. Rick has been quoted in The New York Times and frequently lectures on various issues.

RITA CHU, CPA

rita.chu@anchin.com

Senior Manager

Tax Planning and Compliance

Rita Chu, CPA, is a senior tax manager at Anchin. Rita has her Masters in Taxation and has more than 28 years of experience in public accounting, with 23 years exclusively in the field of taxation. She has extensive experience in tax compliance and planning for high net worth individuals and their privately held corporations, partnerships, limited liability companies and sole proprietorships. She is a member of the American Institute of Certified Public Accountants (AICPA) and the New York State Society of Certified Public Accountants (NYSSCPA).

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MISSION STATEMENT

Our mission is to be our clients' Expert Partner, accomplishing this through creativity, integrity and care. We are committed to connecting clients with partners who provide them with industry knowledge and innovative insights.

INTRODUCTION

Anchin, Block & Anchin LLP is pleased to present this compilation of strategies, "Guide to Maximizing Social Security Benefits".

Social Security benefits play an important role for retiring baby boomers. Different Social Security strategies can help to boost your monthly benefit if planned in advance. In order to optimize the use of these strategies, you need to know the basics about Social Security benefits. The strategies in this booklet explain various alternatives that can maximize Social Security benefits for your family.

The topics contained in this booklet involve sophisticated financial and tax planning concepts, and due to the dynamic nature of our tax law, are time-sensitive. Before applying any of these concepts to your situation, we recommend that you contact us, since the information may or may not be applicable to you and may have been impacted by law changes subsequent to publication.

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SOCIAL SECURITY PRIMER

The Social Security system, the biggest retirement system in the United States, covers 96% of American workers. Millions of Americans depend upon their monthly Social Security benefits, the amount of which can be affected by various factors, especially the age at which you retire.

You must have 40 “credits” (10 years of work) to qualify for any retirement benefits at your retirement age. Each “credit” is based upon on a calendar quarter of earning the minimum amount of wages as established by the Social Security Administration. Since benefits are determined based on both the amount of your earnings and how long you worked, you will not qualify for the maximum benefit merely because you have 40 “credits.”

The normal retirement age (also known as full retirement age) is now age 66. This is the age at which you will receive normal benefits if you were born between the years 1943-1954. Your retirement age increases by two months each year afterward if you were born between 1955 and 1960 and increases to age 67 for those born in 1960 and later. Within the Social Security system, you can accumulate delayed retirement credits up until age 70. For every year you wait until age 70, your benefits increase by approximately 8 percent per year, complemented by an annual cost-of-living adjustment that will be added to your expected benefit. The maximum Social Security benefit a worker retiring at full retirement age can collect in 2019 is $2,861 per month.

You can apply for Social Security retirement benefits as early as age 62. However, your benefits will be reduced by 25% and your spousal benefits will be reduced by 30%. Your benefits will also be reduced for every dollar you earn over $17,640 until you reach the normal retirement age of 66. The general concept is that early retirement will give you approximately the same total Social Security benefits as does normal retirement, but in smaller amounts over a longer period. If you decide to retire before age 62, the Social Security Administration will apply no earnings to those years that you are not working, which means you receive lower Social Security benefits when you retire.

If you continue working past your full retirement age (66 to 67, depending on your year of birth), you may keep all of your benefits. If you are collecting benefits and continue working prior to your full retirement age, your benefits will be reduced by $1 for every $2 you earn above $17,640. If you work during the year you reach full retirement age, your benefits will be reduced by $1 for every $3 you earn above $46,920 until the month you reach full retirement age. Your benefits will be permanently reduced if you claim your benefits at early retirement (age 62). If you do work prior to full retirement age, your benefits will be adjusted at your full retirement age to reflect the benefits that were withheld due to the earnings limitation.

The earliest a widow or widower can start receiving Social Security survivor's benefits is at age 60. If you claim survivor's benefits earlier, your total Social Security survivor's benefits will be approximately the same over your lifetime, but in smaller amounts taking into account the longer period of time you will receive them. You can switch to your retirement benefit at age 62 if your retirement benefit is higher than your survivor's benefit. The advantage in taking your survivor's benefit before your normal retirement age is the collection of benefits over a longer period of time. The disadvantage is a potential reduction in your survivor's benefits.

The Social Security administration recently recognized same-sex marriage. As such, all benefits that are applicable to traditional married couples are also applicable to same-sex married couples. However, Social Security regulations specifically indicate that whether you're "married" is dependent on the state that you live in. Therefore, a same-sex couple who was legally married in a state that recognizes same-sex marriage but currently resides in a state that does not recognize same-sex marriage is not considered "married" under the current Social Security rules.

Choosing when to retire is an important personal decision. In addition to deciding whether to take benefits at Early Retirement (age 62), at Normal Retirement (age 66+), Delayed Retirement (age 70), or at any time between age 62 and 70, there are many Social Security strategies that, if planned properly, can maximize your benefits. Choosing an appropriate strategy can increase your benefits throughout your lifetime. Below are factors you should consider when selecting a strategy:

- Whether you are Single or Married
- The age difference between you and your spouse
- You and your spouse's projected life span
- You and your spouse's general health
- You and your spouse's financial resources
- Potential increasing future personal/medical needs of you and your spouse
- Other financial needs of your spouse and other family members
- Inflation and the increasing cost-of living
- Investment rate of returns

If you decide to delay your retirement benefit, you should still apply for Medicare at age 65. Medicare is a health insurance plan for people who are age 65 or older. Medicare has four parts, Hospital Insurance (Part A), Medical Insurance (Part B), Medicare Advantage Plan (Part C) and Outpatient Prescription Drug Plan (Part D). An article on Medicare is on page 20 of this booklet.

Social Security has several benefit calculators that you can use to help you estimate your potential benefits. The Social Security Administration office will also send you your Social Security statement three months before your birthday, which will provide you your estimated retirement, disability, family and survivor's benefits.

You can call SSA's toll-free number: 800-772-1213, visit www.ssa.gov, or contact your Anchin relationship partner for additional information.

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Age to Receive Social Security Benefits	
Early Retirement Age	Age 62
Normal or Full Retirement Benefit	
Born 1943-1954	Age 66
Born 1955-1960	See Chart “Age to Receive Full Social Security Benefits” on page 35
Born After 1960	Age 67
Delayed Retirement Benefit	Age 70

Finally, Social Security numbers are no longer as unique as they used to be. Recent studies from a wide range of companies and governmental records show that most Americans have at least one Social Security number and surprisingly, that millions of Social Security numbers are shared by more than one person.

The results from a study of 280 million Social Security numbers indicate that more than 20 million people have more than one number and more than 100,000 Americans have 5 or more numbers associated with their name. The study also shows that more than 40 million Social Security numbers are associated with more than one person and 27,000 Social Security numbers are associated with more than 10 people.

Each year Social Security mistakenly declares thousands of Americans as deceased. This can have a major impact on people who have been affected by such mistake, as they no longer can apply for credit, receive benefits, and are under much higher risk of identity theft since their information has been made public.

The results are due to bad record keeping, identity theft, and the careless memory of the Social Security holders. You should always verify the accuracy of the Social Security number that is used. You should also make inquiries if you receive any information indicating an incorrect Social Security number. ■

NEW LAW CURTAILS USE OF TWO POPULAR STRATEGIES

On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015. The law closes several strategies in the Social Security rules, restricting what was commonly used by married couples to substantially increase their Social Security benefits.

The original intention of the previous law was to give people an incentive to work longer and delay their retirement benefit. This allowed them to receive full retirement benefits after they reached full retirement age. There are two commonly used strategies that emerged as a result of this: “claim now, claim more later” and “claim and suspend.”

The “claim now, claim more later” strategy allows married couples to file for Social Security benefits as soon as the younger presumably lower earning spouse reached age 62. The higher earning spouse then files the claim at age 66 for spousal benefits. In the meantime, the higher earning spouse continues to work, which allows his/her benefits to accumulate at the rate of 8% per year through age 70. He/she can then forgo the spousal benefits at age 70 and receive his/her own delayed retirement benefits at a much higher amount.

The new law signed by President Obama limits the “claim now, claim more later” strategy. Those age 62 or older in 2015 can file a restricted application for a spousal benefit and delay their own benefits once they reach full retirement age. Without the restricted application, when a spouse applies for benefits, they are deemed to have filed for both their own and a spousal benefit. They will receive the greater of either their own benefits or a spousal benefit, and do not have the option to choose either at full retirement age. For those who did not reach age 62 in 2015, this change puts an end to the “claim now, claim more later” strategy.

The “claim and suspend” strategy is no longer applicable. This strategy will not be available after 2019. This allows the higher earning spouse to apply for his/her benefits at full retirement age and then suspend them. This allows the lower earning spouse to claim spousal benefits of up to 50% of the higher earning spouse’s benefits at full retirement age. Since both of them are at full retirement age when their claims are filed, they can continue to accrue their delayed retirement benefits through age 70.

Choosing a strategy is a personal decision. It is based on an individual facts and circumstances and should only be implemented after discussion with your professional advisor. ■

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CLAIM NOW, CLAIM MORE LATER

The new law signed by President Obama limits the “claim now, claim more later” strategy. Please see “New Law Curtails Use of Two Popular Strategies” for detail.

CONDITIONS: You must be married to use this strategy. One of the two spouses must be healthy enough to delay claiming the benefits until age 70. Both spouses must have an earnings history. The age difference between the spouses should be considered, where the ideal age gap between spouses is 3-4 years.

STRATEGY: With this strategy, you and your spouse can claim Social Security benefits as soon as the younger spouse is age 62. You use the “Spousal Benefit” provisions to claim MORE BENEFITS a few years later.

This strategy works with two income earners. The spouse with the lower earnings history claims benefits at age 62. The spouse with the higher earning history claims spousal benefits at normal retirement age and files for their own benefits at age 70 to receive the maximum payout.

This strategy also applies if the spouse with the higher earnings history decides to retire and claims benefits at normal retirement age, the younger spouse with the lower earning history claims reduced spousal benefits at age 62. Be mindful that taking reduced spousal benefits at age 62 will lock in the benefit for the spouse’s lifetime at a lower payout. This is because when taking spousal benefits pre normal retirement age it is not a spousal benefit but the recipients own benefit plus a premium which adds up to approximately 50% of the higher earner spouse’s benefit. Since the recipient is taking their own benefit prior to normal retirement age they are permanently lowering their benefit. If taken at normal retirement age, it is a “pure” spousal benefit which will not impact on their own benefit. As such their own benefit can continue to grow until age 70 (delayed retirement benefit). The spouse with lower earning history continues to work and files for her own benefits at age 70.

STEPS TO IMPLEMENT: The spouse with the lower earnings history files for benefits as soon as he/she is eligible. The spouse with the higher earnings history files for “Spousal Benefits” at his/her normal retirement age (see chart). The spouse with the higher earnings history will file for his/her own benefits once the benefits are maximized at age 70. The spouse with the higher earnings history is able to “step up” his/her benefits to the higher payout at age 70.

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EXAMPLE: Susan, who is four years younger than her husband, decides to retire at age 62 and files for the reduced benefit, while her husband, Henry, continues to work. Henry decides to file spousal benefits at his normal retirement age. He receives 50% of the benefit that Susan would have received based on her age at the time he made his claim. At age 70, he can forgo the spousal benefit and receive his own retirement delayed benefit at a higher amount.

EXAMPLE: A couple, both age 66 with current earnings of $100,000 each, may be entitled to retirement benefits of $2,020 per month each if they retire now. The wife decides to retire and claim her $24,240 annual benefit immediately. The husband decides to keep working until age 70. In the meantime, he can apply for spousal benefits based on her work record, which gives him $1,010 per month of spousal benefit and delays claiming his own benefits until age 70. When he starts claiming his own benefits at age 70, he will receive $2,787 per month, or about $9,204 more per year. It will take a little more than nine years to break even; however, the cumulative extra benefits if both spouses live to age 90 is over $135,000. ■

	Without Strategy (Annual Benefits)			Using Strategy (Annual Benefits)			Cumulative Difference
Age	**Husband**	**Wife**	**Total**	**Husband**	**Wife**	**Total**	**Total**
66	24,240	24,240	48,480	12,120	24,240	36,360	(12,120)
67	24,240	24,240	48,480	12,120	24,240	36,360	(24,240)
68	24,240	24,240	48,480	12,120	24,240	36,360	(36,360)
69	24,240	24,240	48,480	12,120	24,240	36,360	(48,480)
70	24,240	24,240	48,480	33,444	24,240	57,684	(39,276)
71	24,240	24,240	48,480	33,444	24,240	57,684	(30,072)
72	24,240	24,240	48,480	33,444	24,240	57,684	(20,868)
73	24,240	24,240	48,480	33,444	24,240	57,684	(11,664)
74	24,240	24,240	48,480	33,444	24,240	57,684	(2,460)
75	24,240	24,240	48,480	33,444	24,240	57,684	6,744
76	24,240	24,240	48,480	33,444	24,240	36,360	15,948
77	24,240	24,240	48,480	33,444	24,240	36,360	25,152
78	24,240	24,240	48,480	33,444	24,240	36,360	34,356
79	24,240	24,240	48,480	33,444	24,240	36,360	43,560
80	24,240	24,240	48,480	33,444	24,240	57,684	52,764
81	24,240	24,240	48,480	33,444	24,240	57,684	61,968
82	24,240	24,240	48,480	33,444	24,240	57,684	71,172
83	24,240	24,240	48,480	33,444	24,240	57,684	80,376
84	24,240	24,240	48,480	33,444	24,240	57,684	89,580
85	24,240	24,240	48,480	33,444	24,240	57,684	98,784
86	24,240	24,240	48,480	33,444	24,240	57,684	107,988
87	24,240	24,240	48,480	33,444	24,240	57,684	117,192
88	24,240	24,240	48,480	33,444	24,240	57,684	126,396
89	24,240	24,240	48,480	33,444	24,240	57,684	135,600
	581,760	**581,760**	**1,163,520**	**717,360**	**581,760**	**1,299,120**	

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SURVIVOR'S BENEFIT

CONDITIONS: Formerly married taxpayers with one spouse deceased. The deceased spouse must have worked, paid Social Security taxes, and earned at least 40 credits (10 years of work) in order for the surviving spouse or family member to receive full survivor's benefits.

STRATEGY: A surviving spouse and eligible family members of the deceased can receive monthly Social Security benefits based on the deceased spouse's full retirement benefit. The surviving spouse or family members collecting survivor's benefits may switch to their own Social Security retirement benefits in a later year if their own retirement benefit is higher than that of the deceased spouse.

A husband or wife can decide to continue working and delay claiming the Social Security benefits during his/her lifetime. By delaying claiming benefits until age 70, you can increase the monthly survivor's benefit to the surviving spouse by 60% when he/she dies.

If the surviving spouse is younger than normal retirement age and continues to work while collecting survivor's benefit, the benefits will be reduced if the earning exceeds $17,640. The surviving spouse cannot get survivor's benefit if he/she remarries before age 60. However, remarriage after age 60 will not prevent him/her from collecting benefit payments based on the former spouse's work records.

The surviving spouse can also claim his or her own reduced benefits at age 62 and then switch to the full survivor's benefits that he or she is entitled to at full retirement age. Claiming early retirement benefits on one's record does not change one's eligibility to collect survivor's benefits at full retirement age.

STEPS TO IMPLEMENT: If you are not receiving Social Security benefits, you can apply by telephone or at any Social Security Office. The Social Security Administration will need either original documents or copies certified by the agency that issued them.

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Required information includes:

- Proof of death
- You and deceased spouse's Social Security Number
- Your birth certificate
- Your marriage certificate if you are a widow or widower
- Your divorce papers if you are applying as a surviving divorced spouse
- Deceased worker's W-2 forms or federal self-employment tax return for the most recent year
- Dependent children's Social Security numbers and birth certificates
- The name of your bank and account number so your benefits can be directly deposited into your account

If you are already getting Social Security benefits as a wife or husband on your spouse's record, you should report the death to Social Security Administration, and it will change your payments to survivor's benefits.

If you are getting benefits on your own record, you will need to complete an application to receive survivor's benefits.

Benefits for any children will automatically be changed to survivor's benefits after the death is reported to the Social Security Administration.

EXAMPLE: John, age 66, with current earnings of $100,000, may be entitled to retirement benefits of $2,020 a month if he retires now. If John dies at age 66, his surviving child under age 19, who is attending high school, and his surviving spouse, who takes care of his child under 16, will receive a monthly benefit of $1,520. The surviving spouse who is at normal retirement age will receive a monthly benefit of $2,027. However, the maximum family benefit that the surviving spouse and child can receive each month is limited between 150 and 180 percent of the deceased benefit amount. ■

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CLAIM ON FORMER SPOUSE'S RECORD

CONDITIONS: A divorced former spouse may be eligible for benefits based upon their ex's earnings despite the fact that they are no longer married. Your former spouse must be eligible for benefits or disability benefits through Social Security. You must have been married to your former spouse for over 10 years. You must be at least 62 years old, cannot be remarried, and the spousal benefit will not be higher than the Social Security benefits that your former spouse is entitled to receive on their own record.

STRATEGY: An individual can file for spousal benefits under a former spouse's record if the above conditions are met. You do not have to wait for your former spouse to file for his or her own benefits before claiming the spousal benefit.

If your former spouse died, you can still file for surviving divorced spouse benefits under the same circumstances as your widow/widower. You do not have to meet the length-of-marriage rule if you are taking care of your child under the age of 16 or your disabled child (regardless of age) who receives benefits. The child must be your former spouse's biological or legally adopted child. Benefits paid to a surviving divorced spouse who is at least 60 years old (50 if disabled) will not affect the benefit rates for other survivors' receiving benefits.

STEPS TO IMPLEMENT: File with the Social Security office to claim benefits on a former spouse's record. You are not required to contact your former spouse to notify him or her of your filing and you do not need your former spouse's Social Security statements to determine your spousal benefits.

Claiming benefits under your former spouse's record will not affect his/her own benefits. If your former spouse remarries, your benefit claims will not affect the new spouse's benefits or any other family member who might receive benefits from the same record.

EXAMPLE: Nancy is eligible for a monthly benefit of $400 based on her earnings. Her former spouse, Alex, is eligible for a monthly benefit of $1,500. Nancy files a claim on Alex's record and is entitled to a maximum of 50% of the benefit that Alex received which is $750. It is $350 higher than her own benefits. ■

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HOW TO COLLECT SOCIAL SECURITY BENEFITS FOR MINOR CHILDREN

CONDITIONS: You or your spouse must be receiving Social Security retirement benefit currently. If you are taking care of a child or grandchild, you may be eligible to collect additional benefits of up to half of your benefits per month under your child's or grandchild's name.

STRATEGY: Elderly parents or grandparents who are eligible for Social Security benefits can claim benefits for a child or grandchild for whom they are caring. Additionally, you can contribute the Social Security benefits received for the child to a 529 college-savings plan. By contributing to a 529 plan, you will be able to use the earnings and distributions tax-free to pay for tuition, books, fees and other qualified expenses. Depending on where you live, you may also qualify for a state income tax deduction on your 529 plan contribution.

STEPS TO IMPLEMENT: If you or your spouse is eligible for Social Security benefits currently and you are caring for a child or grandchild, you could collect benefits of $1,000 per month or more in the child's name. The child can collect the benefits until age 18*. If you reach full retirement age, your spouse, without age limit, can collect 50% "spousal benefits" if he or she is caring for a child under the age of 16. Otherwise spousal benefits will not be available.

You may apply for benefits directly through the Social Security Administration's website at www.ssa.gov, call SSA's toll free telephone number 1-800-772-1213, or visit your local Social Security office. ■

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HOW TO COLLECT SOCIAL SECURITY DISABILITY BENEFITS

CONDITIONS: You and your spouse must have a disability that prevents you from working in your current job or adjusting to other types of work, and your disability is expected to last at least 12 months. If so, you may be eligible for Social Security Disability benefits. You must have also worked in a job that was covered by Social Security.

STRATEGY: Social Security Disability Benefits are monthly monetary compensation for people who are no longer able to work and support themselves or their families due to an injury or illness that resulted in a permanent disability. In most cases, Social Security Disability Benefits are also awarded to the spouse and minor children of the disabled applicant.

Social Security Disability Benefits are also available to disabled children. To receive disability benefits for a disabled child, the child must be 18 or under, not married, and a full time student. The Disability Benefits available for children are usually paid to a parent or guardian on behalf of the disabled child.

STEPS TO IMPLEMENT: You may apply for benefits directly through the Social Security Administration's website at www.ssa.gov, call SSA's toll free telephone number 1-800-772-1213, or visit your local Social Security office. ■

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HOW TO MINIMIZE INCOME TAXES ON YOUR SOCIAL SECURITY BENEFITS

CONDITIONS: Whether you are taxed on Social Security benefits depends on the amount of your other income. If you have sources of income in addition to Social Security, you may have to pay taxes on your Social Security benefits. The sources of income in the calculation include taxable pension, wages, interest, dividends, capital gains, tax-exempt income, and half of your Social Security benefits.

Social Security income is only taxable if your Modified Adjusted Gross Income is $25,000 or more if you are a single filer or $32,000 or more if you file jointly. For a married filer, 85% of your Social Security benefits will be taxable if your combined income exceeds $44,000 ($34,000 for an individual filer) and 50% of the Social Security benefits will be taxable if your income falls between $32,000 and $44,000 ($25,000 to $34,000 for an individual filer).

STRATEGY: To determine if you will be paying taxes on your Social Security benefits, you must estimate what your Modified Adjusted Gross Income (MAGI) will be. Since only 50% of your Social Security benefits are included in your MAGI, your Social Security income may not be taxable if your total income does not exceed the $44,000 threshold ($34,000 for an individual filer). Therefore, you may consider accessing your retirement plan income, such as 401(k) or IRA money, first and delay collecting Social Security benefits as long as possible to minimize income taxes.

The formula to determine your Social Security taxability includes all forms of taxable investment income such as interest, dividends, capital gains and tax exempt interest income. However, the formula does not include qualified distributions and earnings from a Roth IRA. Reallocating some or all of these income items into tax-deferred vehicles such as fixed and variable annuities will reduce your Modified Adjusted Gross Income, thus lowering the taxable amount of Social Security benefits.

EXAMPLE 1: Ken and Kim received the following income in 2010: Tax-exempt interest, $2,000; interest, $15,000; dividends, $15,000; IRA distribution, $15,000; and Social Security benefits, $30,000. Ken's and Kim's Modified Adjusted Gross Income for year 2010 is $62,000 (i.e. total income of $47,000 plus 50% of Social Security benefits), which is $30,000 in excess of the $32,000 limitation for a joint filer. Social Security benefits between $32,000 and $44,000 are taxed at 50% and the amount in excess of $44,000 is taxed at 85%. As a result, Social Security benefits taxable to Ken and Kim for 2010 are $21,300 (i.e. 50% x $12,000 + 85% x $18,000).

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EXAMPLE 2: The circumstances are similar to that of example 1, except that Ken and Kim reallocated their investments to a tax-deferred annuity. Taxable interest and dividend income are reduced from $30,000 to $1,000. As a result, Ken and Kim's Modified Adjusted Gross Income for 2010 is $33,000 (total income of $18,000 plus 50% of their Social Security benefit), which is $1,000 in excess of the $32,000 exemption for joint filers. Since Ken and Kim's Modified Adjusted Gross Income of $1,000 exceeds the exemption, their taxable Social Security benefit for the year is only $500. If they can reduce their combined income level to $32,000 or less, the entire Social Security benefit would be non-taxable. ■

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	Comparison		Example 1		Example 2
Line 1	Social Security Benefit		30,000.00		30,000.00
Line 2	50% of Social Security Benefits		5,000.00		15,000.00
	Tax-Exempt Income	2,000.00		2,000.00	
	Taxable Interest	15,000.00		500.00	
	Ordinary Dividend	15,000.00		500.00	
	IRA Distribution	15,000.00		15,000.00	
Line 3	Total Other Income		47,000.00		18,000.00
Line 4	**Modified Adjusted Gross Income**		**62,000.00**		**33,000.00**
Line 5	Enter $32,000 for MFJ ($25,000 for Single) - limitation for MFJ		32,000.00		32,000.00
Line 6	Subtract line 5 from line 4		30,000.00		1,000.00
Line 7	Enter $12,000 for MFJ ($9,000 for Single) - amount between $32,000-$44,000 for MFJ		12,000.00		12,000.00
Line 8	Subtract Line 7 from Line 6		18,000.00		-
Line 9	Enter smaller of line 6 or line 7		12,000.00		1,000.00
Line 10	Enter one-half of line 9		6,000.00		500.00
Line 11	Enter smaller of line 2 or line 11		6,000.00		500.00
Line 12	Multiply line 8 by 85%		15,300.00		-
Line 13	Add line 11 and 12		21,300.00		500.00
Line 14	Multiply line 1 by 85%		25,500.00		25,500.00
Line 15	Taxable Social Security benefits. Enter the smaller of line 13 or line 14		21,300.00		500.00
Line 16	**Taxable Social Security benefits**		**21,300.00**		**500.00**

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MAXIMIZE YOUR SOCIAL SECURITY BENEFITS BY WORKING 35 YEARS

CONDITIONS: It is important to get as many "high earning" years in as possible into the Social Security benefit calculation. You must have 40 "credits" (10 years of work) to qualify for any retirement benefits at your retirement age. Each "credit" is based upon on a calendar quarter of earning the minimum amount of wages as established by the Social Security Administration. Since benefits are determined based on both the amount of your earnings and how long you worked, you will not qualify for the maximum benefit merely because you have 40 "credits."

STRATEGY: Your retirement benefit is calculated based on the average of your highest 35 years of earnings in your working history. This is why it is important to get as many "high earning" years in as possible. If you're at the top of your career as far as income goes, working just one year longer in a high-paying job could make a big difference in your retirement benefit.

STEPS TO IMPLEMENT: The Social Security Administration (SSA) uses the 35 highest years of your earnings to calculate the average monthly earnings amount, called the Average Indexed Monthly Earning (AIME). If you work more than 35 years, each year you work afterward will replace your lower-earning years, thus increasing your AIME. If you have less than 35 years of work history, the SSA will factor in no annual earnings for those years that you do not work. If you have many low earning years included in your 35 years, you should keep working so that your higher earning years will replace your lower earning years. Therefore, make sure that you have a full 35 years of work history in order to maximize your benefits.

The Social Security Administration office will send you your Social Security statement three months before your birthday. The statement provides your year by year earnings history and gives you an estimate of the benefits that you and your family may qualify for now or in the future. You can also submit your request online or by filing Form SSA-7004, Request for Social Security Statement.

The SSA has several benefit calculators you can use to help you estimate your potential benefits. You can call SSA's toll-free number: 800-772-1213, visit www.ssa.gov or contact your Anchin relationship partner. ■

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HOW TO APPLY FOR SOCIAL SECURITY BENEFITS AND SPOUSAL BENEFITS

1. How to apply for benefits:
   i. Complete online application at https://secure.ssa.gov/apps6z/iClaim/rib or,
   ii. Call SSA at 1-800-772-1213 (TY 1-800-325-0778) 7:00 a.m. to 7:00 p.m., Monday through Friday to make an appointment to apply for benefits or,
   iii. Contact your local Social Security office.

2. Applying for benefits online:
   i. Fill out the online application.
   ii. "Sign" the application electronically by clicking on the "Sign Now" button that will appear on the screen after you have finished filling out the application.
   iii. Submit documents listed in item 5 to your local SSA office.

3. How to apply for spousal benefit:
   i. Spouse claiming his/her own benefits fills out the online application.
   ii. Spouse claiming spousal benefits fills out online application and claims spousal benefits.
   iii. Spouse claiming his/her own benefits can suspend the benefits either orally or through written request by contacting local Social Security office or calling the National Toll-Free number 1-800-772-1213 once both spouses' claims are approved.

4. Information needed to apply for benefits:
   i. Your date and place of birth and Social Security number;
   ii. Your bank or other financial institutions' Routing Transit number and the account number, if you want the benefits electronically deposited;
   iii. The amount of money earned last year and this year. If you are not filing for benefits in the months of September through December, you will also need to estimate next year's earnings;
   iv. The name and address of your employer(s) for this year and last year;
   v. The beginning and ending dates of any active U.S. military service you had before 1968; and
   vi. The name, Social Security number and date of birth or age of your current spouse and any former spouse. You should also know the dates and places of marriage and dates of divorce or death (if applicable).

5. Documents need to provide* (all applicants):
   i. Your Social Security card
   ii. Your original birth certificate or other proof of birth
   iii. Your original citizenship or naturalization papers
   iv. A copy of your U.S. military service paper(s) and
   v. A copy of your W-2 form(s) and/or if self-employed your Federal tax return for prior year. ■

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1375 Broadway, New York, NY 10018
212.840.3456 www.anchin.com

MEDICAL INSURANCE PRIMER

Medicare is a federal health insurance program for people who are 65 or older. Medicare has four parts: Part A - Hospital Insurance, Part B - Medicare Insurance, Part C - Medicare Advantage Plan, Part D - Outpatient Prescription Drug Plan. Part A & B are the original Medicare plans. Part C & D are Medicare advantage plans.

Part A is financed by payroll taxes and is usually premium free as long as you or your spouse has paid Medicare taxes while you were working. A portion of Parts B, C, and D are financed by monthly premiums. These premiums are deducted from your Social Security benefits, if you are receiving them. If your premium is higher than your Social Security benefits, you will receive a separate bill for any remainder amount. When you start receiving Social Security benefits, you are automatically enrolled in Medicare Part A as well as Part B. Generally Medicare does not start until age 65 unless you're disabled.

If you are not automatically enrolled in premium-free part A, you can sign up for Part A once your Initial Enrollment Period starts. You can sign up for Part A and/or Part B during the 7 months that begins 3 months before the month you turn 65 and ends 3 months after the month you turn 65. If you enroll in Part A and/or Part B the month you turn 65 or during the last 3 months of your Initial Enrollment Period, the start date for your Medicare coverage will be delayed. If you aren't eligible for premium-free Part A and you don't buy it when you are first eligible, your monthly premium may go up 10%.

What does Part A (Hospital Insurance) Cover?
- Inpatient care in a hospital
- Inpatient care in a skilled nursing facility
- Hospice care
- Home health care
- Inpatient care in a religious nonmedical health care Institution

You can decline Part B but you will have to notify Social Security. If you are not receiving Social Security benefits, you will not automatically get Part A or B and will need to contact Social Security to sign up for it once you reach the age of 65.

Medicare Part B is health insurance that covers outpatient medical services that are deemed either medically necessary or preventative. Medically necessary services are "services or supplies that are needed to diagnose or treat your medical condition." Preventative services are services performed to prevent or detect illnesses.

Part B benefits include:

- Ambulance service
- Inpatient and outpatient care
- Partial hospitalization
- Clinical research
- Durable medical equipment
- Doctors' visits
- Lab services

Medicare becomes a secondary payer if you have coverage under a plan sponsored by an employer with 20 or more employees based on you or your spouse's current employment or if medical costs can be paid under any liability policy such as auto insurance. Therefore, you should wait until you retire to apply for Part B, since Part B may offer little or no additional coverage as the secondary payer to justify paying the premium.

When you leave your job, you must enroll in Medicare Part B within the eight-month "special enrollment period" after the month you retire. If you miss the special enrollment period, you have to wait until the next general enrollment period which is from January 1 through March 31 of the following year and your coverage will not begin until July (you could go almost an entire year without coverage!). If you decide to go on COBRA (usually 18 months after you terminate your employment) rather than enroll in Medicare, it is possible that your medical claims may be rejected by your employer's health plan because your employer's health plan is considered as a secondary payer and will only cover expenses that Medicare Part B would not. In addition, you will have to pay a 10% penalty for life for each 12-month period you delay in signing up for Medicare Part B when you are eligible.

Premiums are due every month. While most people pay the standard premium of $135.50 beginning in 2019, if your modified adjusted gross income as reported on your IRS tax return from 2 years ago (the most recent tax return information provided to Social Security by the IRS) is above a certain amount, you pay a higher premium for Part B and a surcharge for Part D. Modified adjusted gross income is your adjusted gross income plus your tax exempt interest income. Social Security will notify you each year whether or not you have to pay a higher premium. Most people enrolled in Medicare with an income below $85,000 for an individual or $170,000 for married couple, will pay the standard premium of $135.50 per month in 2019.

This is a $1.50 increase over the 2018 premium of $134.00. The higher your income, the higher premium and surcharge you will pay (See following table).

You can contact Social Security if your income has gone down from the prior 2 years in certain situations and the change will make a difference in your premiums. You will need to provide documentation to prove why and how the income has reduced. These situations include but are not limited to marriage, divorce, death of a spouse, reduction in work hours, and loss of income due to an event beyond your control.

The beneficiaries should incorporate the Medicare Part B and D premium costs in their retirement plan. Although it should not become the driver for their retirement planning, it could be a significant part. This is especially true for higher income individuals whose premiums are expected to increase rapidly in the future.

If you have Health Saving Accounts (HSAs), you can't contribute to your HSA once your Medicare coverage begins. However, you may use money that's already in your HSA after you enroll in Medicare to help pay for deductibles, premiums (except Medigap), copayments, or coinsurance. If you contribute to your HSA after your Medicare coverage starts, you may have to pay a tax penalty. To avoid penalty, you should stop contributing to your HSA at least 6 months before you apply for Medicare. You can complete HSA reimbursement form to request reimbursement from your plan administrator. You can get reimbursement anytime as long as you have proper receipts.

The following table shows the annual Part B premium and Part D surcharge per person for 2019. The difference in premiums for higher income couples over the standard premium is over $9,600 for 2019. These premiums are subject to inflation increases in the future but not based on the COLI on which Social Security benefits are set. As such, your Medicare premiums can increase at a much faster rate than your Social Security benefits.

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Modified Adjusted Gross Income (MAGI)	Part B annual premium Per Person	Part D annual premium* Per Person	Total Part B & D Per Person
Individuals, $85,000 or less Married couple, $170,000 or less	$1,626.00	$398.28	$2,024.28
Individuals, $85,001-$107,000 Married couple, $170,001-$214,000	$2,275.20	$547.08	$2,822.28
Individuals, $107,001-$133,500 Married couple, $214,001-$267,000	$3,250.80	$781.08	$4,031.88
Individuals, $133,501-$160,000 Married couple, $214,001-$267,000	$4,226.40	$1,015.08	$5,241.48
Individuals, $160,001-$500,000 Married couple, $267,001 - $320,000	$5,200.80	$1,249.08	$6,449.88
Individuals, $500,001 or above Married couple, $750,001 or above	$5,526.00	$1,327.08	$6,853.08

*The average Part D monthly premium is approximately $33.19. If your income is above a certain limit, you will pay an income-related monthly adjustment amount in addition to your plan premium.

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Medicare Advantage Plans (Part C):

Medicare Advantage Plans (such as HMO or PPO) is a type of Medicare health plan offered by private companies that must follow rules set by Medicare. It is also called “Part C” or “MA Plans”. If you join a Medicare Advantage Plan, you will get your Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) coverage from the Medicare Advantage Plan, but not Original Medicare. In most cases, you will need to use health care providers who participate in the plan’s network.

Types of Medicare Advantage Plans:

- Health maintenance Organization (HMO) plans
- Preferred Provider Organization (PPO) plans
- Private Fee-for-Services (PFFS) plan
- Special Needs Plan (SNPs) HMO Point-of-Service (HMOPOS) plans
- Medical Savings Account (MSA) plans

Your Medicare Advantage Plan (Part C) will dis-enroll you and you’ll go back to Original Medicare if both of these apply:

- Your Medicare Advantage Plan includes prescription drug coverage
- You join a Medicare Prescription Drug Plan (Part D)

Medicare Supplement Insurance (Medigap) Policies:

Original Medicare, Part A and B, pays for many of your health-care services and supplies, but it does not pay for everything. Medicare Supplement (Medigap) Insurance policies sold by private companies, can help pay some of the remaining health care costs such as copayments, coinsurance, and deductibles. Every Medigap policy must follow federal and state laws and must be clearly identified as “Medicare Supplement Insurance.”

Important facts about Medigap:

- You must have Part A and Part B
- You pay monthly premium to the private insurance company for your Medigap policy in addition to your Part B premium
- A Medigap policy only covers one person. A spouse must buy separate policy
- A Medicap policy helps pay health care cost that are not covered by Original Medicare
- You have be a resident of the state that offering the Medigap policy
- There are 10 different types of Medigap Plans, from lettered A to N
- All Medicap policies are subject to annual renewal

Medigap plans supplement your Original Medicare benefits, which is why these policies are also called Medicare Supplement plans. You'll need to be enrolled in Original Medicare to be eligible for Medigap coverage, and you'll need to stay enrolled in Original Medicare for your hospital and medical coverage.

The following chart shows basic information about the different benefits Medigap policies cover.

Yes = the plan covers 100% of this benefit
No = the policy doesn't cover this benefit
% = the plan covers that percentage of this benefit
N/A = not applicable

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Medgap Benefits	A	B	C	D	F*	G	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes***
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charge	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit**	N/A	N/A	N/A	N/A	N/A	N/A	$5,560	$2,780	N/A	N/A

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* Plan F also offers a high-deductible plan. If you choose this option, this means you must pay for Medicare-covered costs up to the deductible amount of $2,300 before your Medigap plan pays anything.

** After you meet your out-of-pocket yearly limit and your yearly Part B deductible, the Medigap plan pays 100% of covered services for the rest of the calendar year.

Starting January 1, 2020, Medigap plans sold to new people with Medicare won't be allowed to cover the Part B deductible. Because of this, Plans C and F will no longer be available to people new to Medicare starting on January 1, 2020. If you already have either of these 2 plans (or the high deductible version of Plan F) or are covered by one of these plans before January 1, 2020, you'll be able to keep your plan. If you were eligible for Medicare before January 1, 2020, but not yet enrolled, you may be able to buy one of these plans.

Medicare prescription drug coverage (Part D):

Medicare offers drug coverage is an optional benefit. Medicare offers prescription drug coverage to everyone with Medicare. You should consider joining a Medicare drug plan even if you don't take prescriptions now. If you do not join a Medicare drug plan when you are first eligible, you will likely pay a late enrollment penalty if you join later.

Two ways to get Medicare prescription drug coverage:

- Medicare Prescription Drug Plan (Part D). These plans (sometimes called "PDPs") add drug coverage to Original Medicare, some Medicare Cost Plans, some Medicare Private Fee-for-Service (PFFS) Plans, and Medicare Medical Savings Account (MSA) Plans.

- Medicare Advantage Plan (Part C) (like an HMO or PPO) or other Medicare health plan that offers Medicare prescription drug coverage. You get all of your Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) coverage, and prescription drug coverage (Part D), through these plans. Medicare Advantage Plans with prescription drug coverage are sometimes called "MA-PDs." You must have Part A and Part B to join a Medicare Advantage. ■

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Time For a New Definition of Competence?

By Phyllis Weiss Haserot

At a program I recently attended, I heard a psychiatrist and performance coach say that the "system" (the work world) is designed to make people "appear competent" rather than, in my words, versatile or interesting or curious. He said that most people are not comfortable with their humanity and vulnerability, and are not ready when opportunity appears.

On balance, is this state of affairs emphasizing data and technical expertise a benefit or hindrance to successful professional services talent and business development? I see the positive side as emphasizing capabilities, depth of experience and a focused approach. However, the downside is that it discourages people from pursuing outside interests and making contributions that will fulfill them, leading to wanting to do and accomplish more. It makes them narrow individuals who don't have places to hang out and talk with prospective clients. And it makes it more difficult to develop trusting relationships, which tend to be based on the whole person.

Does the innate need to appear "competent" help or hinder a professional's ability to develop business, develop future talent and give superior service to clients? Competence is undoubtedly good, but do we need a new definition of "competence"? And

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Social Security Facts and Strategies

By Richard Stieglitz and Asal Mirsalimi

Social Security is the biggest retirement system in the United States and its benefits play an important role for retiring Baby Boomers. Millions of Americans depend on their monthly benefits, the amount which can be affected by various factors, most importantly the age at which you retire.

Retirement Age

The normal retirement age, also known as the Full Retirement Age, is currently 66, which applies to anyone born between the years 1943-1954. Full Retirement Age is deferred by two months for each year born after 1954, and is age 67 for anyone born after 1959. Beneficiaries can delay their retirement up until age 70, and receive an increase in their benefits of approximately 8% for every year they wait. There is also a permanent monthly benefit reduction of up to 25% if the beneficiary chooses to retire early, currently as early as age 62.

If the beneficiary chooses to continue working while receiving benefits prior to the month he/she reaches Full Retirement Age, he/she will be subject to an earning limitation. The earning limitation is $14,640 prior to the year they reach Full Retirement Age; $1 is withheld for every $2 earned above the limit. In the year in which they reach Full Retirement Age, the earning limit is $38,880 and for every $3 above the limit there will be $1 benefits withholding. The withholdings only apply to the benefits taken prior to the month the beneficiary reaches Full Retirement Age. Once the beneficiary reaches Full Retirement Age, he/she is no longer subject to any earnings limitation.

Social Security Basics

For 2012 the taxable earnings base and FICA tax rate are $110,100 and 6.2%. Amount of earnings required to earn one Social Security credit in 2012 is $1,130. Forty credits must be earned with a maximum of four credits per year in order to be fully insured. Each year, Social Security benefits are increased by a percentage based on inflation, also known as the Cost of Living Adjustment (COLA). The 2012 COLA is 3.6%.

Strategies

As previously mentioned, the age the beneficiary chooses to retire plays the most important role in determining his/her Social Security benefits. Choosing the

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In This Issue

The article above discusses strategies that are no longer applicable due to law changes. You should not rely on this information for your Social Security planning.

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Social Security

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right strategy could increase benefits by hundreds of thousands of dollars over a couple's lifetime. Various factors must be taken into account when choosing the age to retire, including: marital status, the age difference between a married couple, the married couple's projected life span, general health, financial resources, potential future personal/medical needs, inflation and increasing cost-of-living, and investment interest rates. There are various strategies that can help properly plan retirement in order to maximize these benefits. Married couples should also consider taking advantage of spousal benefits. Social Security allows a spouse with a lower earnings history to apply for Social Security benefits based on a higher earner spouse's earnings history. Currently, the spousal benefit is approximately 50% of the benefits of the spouse with the higher earnings history.

There are various strategies that revolve around taking advantage of spousal benefits. One strategy is for a spouse with the lower earnings history to claim benefits at 62, giving the spouse with the higher earnings history the option to apply for spousal benefits. The higher earner spouse will switch to his own benefits when he reaches age 70, collecting higher benefits than if he took benefits on his own record at Full Retirement Age (66+).

Another way to take advantage of spousal benefits is for a higher earner spouse to claim benefits at her Full Retirement Age (66+), which allows the lower income earner spouse to claim spousal benefits at age 62. The higher earner spouse will then suspend her benefits and reclaim at age 70, thus receiving higher benefits. The advantage of this strategy is that the higher earner spouse can delay retirement up to age 70, while the lower earner spouse can receive spousal benefits without waiting for the higher earner spouse to start receiving benefits.

Claiming and repaying Social Security benefits has been a commonly used strategy throughout the years. Prior rules permitted beneficiaries to withdraw their application for any reason. Beneficiaries would take advantage of this rule through two strategies: claiming an Early Retirement benefit at age 62 and repaying at age 70; or claiming benefits each year and repaying them at the end of the year. Either of these strategies would provide the beneficiary, in effect, with an interest free loan. The new regulations, effective as of December, 2010, end these strategies by providing a 12-month window for beneficiaries to withdraw their application and also limit the re-filing to one per lifetime. The new regulations also limit the suspension of benefits. Beneficiaries are now only allowed to suspend future benefits beginning after the month in which the request for suspension is made. Beneficiaries can no longer claim suspension for benefits they have already received.

Survivor's Benefits

A widow(er) can apply for survivor's benefit, which is 100% of their deceased spouse's benefits. The surviving spouse can claim benefits as early as age 60; however, applying prior to Full Retirement Age will result in smaller monthly benefits, as the total benefits are obtained over a longer period of time. The surviving spouse can switch to their own benefits at age 62 if their own benefits are higher. If the surviving spouse is younger than Full Retirement Age and continues to work while receiving benefits, their benefits will be reduced if the earnings exceed $14,640. The surviving spouse cannot claim survivor's benefit if she remarries before age 60, however remarriage after age 60 will not prevent her from collecting benefits based on her former deceased spouse's record.

Taxability of Social Security

The taxability of Social Security benefits depends on the amount of

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Richard H. Stieglitz, CPA, a member of this newsletter's Board of Editors, is a Tax Partner and **Asal Mirsalimi** is a tax professional in the New York accounting firm of Anchin, Block & Anchin LLP. The authors can be reached at 212-840-3456 or via e-mail at rstieglitz@anchin.com and asal.mirsalimi@anchin.com, respectively.

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Pension Plans

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Fiduciary). As long as that adviser is prudently selected, accepts fiduciary responsibility in writing and is prudently monitored, the plan sponsor can relieve almost all of its responsibility and liability for investment design, fund selection, cost control, disclosure, resolution of any potential conflicts of interest, and participant education. Unless the plan sponsor has investment expertise and is willing to accept potential personal liability, ERISA requires that it delegate to a prudent expert.

Given that attorneys don't all practice ERISA law or have finance degrees, even with the new information, you may not feel qualified to perform a plan audit or make comparisons. However, a qualified fiduciary investment adviser will provide you with one for nominal or no cost. Hiring a competent plan fiduciary adviser will relieve you of significant personal liability while bringing discipline to the process of providing quality benefits at reasonable costs to your workforce.

When engaging a prudent expert, your expectation should be reduced costs, improved investment results, higher participant satisfaction, plan utilization, greater accumulations, and reduced personal liability for fiduciaries.

Alternatively, the courts, your employees, the SEC and/or the Department of Labor may administer a particularly costly and painful lesson.

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Social Security

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the beneficiary's other income. The sources of income included in this calculation includes taxable pensions, wages, interest, dividends, capital gains, tax-exempt income, and half of Social Security benefits. Benefits are taxable if your Modified Adjusted Gross Income is higher than $25,000 for a single beneficiary ($32,000 for a married couple filing jointly). Fifty percent of Social Security benefits will be taxable if your income falls between $25,000 and $34,000 ($32,000 to $44,000 for a married couple filing jointly). Eighty-five percent of the benefits will be taxed if your income exceeds $35,000 ($44,000 for a married couple filing jointly). Beneficiaries might consider accessing their retirement plans first and delay collecting Social Security benefits in order to lower their Modified Adjusted Gross Income, and ultimately lower the tax on their Social Security benefits.

Final Thoughts

There are various calculators that can help estimate your potential Social Security benefits. The Social Security Administration office will also send out statements providing estimated benefits. Errors and miscalculations in Social Security statements are possible and happen quite often. Therefore, personal information and earning records should be carefully reviewed. Recent studies show that millions of Social Security numbers are shared by more than one person, and many Americans have more than one Social Security number, due to bad record-keeping, identity theft, and careless memory of Social Security holders. Inquiries should be made in order to correct these errors.

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The Job Creation Act

By Richard Stieglitz and Martin Arking

On Nov. 21, President Obama signed the Job Creation Act. The Act extends and enhances tax incentives available to law firms that hire veterans. Under the old law, that was set to expire at the end of 2011, the credit applied to: 1) veterans receiving food stamps; or 2) certain veterans with service connected disabilities. The employer received a credit against income tax equal to 40% of first-year wages up to $6,000 ($12,000 for certain qualified veterans) per employee. Thus, the maximum credit was either $2,400 or $4,800. The old law also provided for a certification process in which an employer may not claim the credit unless it receives written certification from the designated local agency that the individual is a member of a targeted group.

The new law, which is effective as of the enactment date and expires Dec. 31, 2012, creates additional categories and increases the credit amounts as follows:

- Veteran receiving food stamp assistance — 40% of first $6,000 (maximum credit is $2,400).
- Veteran with four weeks or more of unemployment during the one year period prior to the hiring date — 40% of first $6,000 (maximum credit is $2,400).
- Veteran with six months or more of unemployment during the one year period prior to the hiring date — 40% of first $14,000 (maximum credit is $5,600).
- Veteran with a service connected disability and has been discharged within one year of the hiring date — 40% of first $12,000 (maximum credit is $4,800).
- Veteran with a service connected disability and six months or more of unemployment during the one year period prior to the hiring date — 40% of first $24,000 (maximum credit is $9,600).

The new law also provides for a fast-track qualification process for qualified veterans.

As a result of President Obama's troop withdrawal, tens of thousands of service members will be entering the job market. The service is known to train its members with attributes that are essential to the workplace, such as discipline, problem-solving and teamwork. Law firms now have a unique opportunity to hire a qualified individual and also take advantage of a generous tax break.

The article above discusses strategies that are no longer applicable due to law changes. You should not rely on this information for your Social Security planning.

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TABLE 1: AGE TO RECEIVE FULL SOCIAL SECURITY BENEFITS

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

The earliest a person can start receiving Social Security retirement benefits will remain age 62.

TABLE 2: AGE TO RECEIVE FULL SOCIAL SECURITY RETIREMENT BENEFITS (REDUCTION FOR STARTING BENEFITS)

If your full retirement age is 67, the reduction for starting your benefits at:

Age	Reduction for Starting Benefits (%)
62	30%
63	25%
64	20%
65	13 1/3%
66	6 2/3%

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TABLE 3: HOW YOUR SOCIAL SECURITY BENEFIT IS REDUCED IF YOU DECIDE TO START AT AGE 62

Your normal retirement age is 66. The earliest a person can start Social Security retirement benefits is age 62. If your birthday is on the 1st of the month, the benefits will be based as if you were born during the previous month.

If you start getting benefits at age	And you are the...	
	Wage Earner, the Retirement Benefit you will receive is reduced to	Spouse, the Retirement Benefit you will receive is reduced to
62	75.0%	35.0%
62 + 1 month	75.4	35.2
62 + 2 months	75.8	35.4
62 + 3 months	76.3	35.6
62 + 4 months	76.7	35.8
62 + 5 months	76.7	36.0
62 + 6 months	77.1	36.3
62 + 7 months	77.5	36.5
62 + 8 months	77.9	36.7
62 + 9 months	78.3	36.9
62 + 10 months	78.8	37.1
62 + 11 months	79.6	37.3
63	80.0	37.5
63 + 1 month	80.6	37.8
63 + 2 months	81.1	38.2
63 + 3 months	81.7	38.5
63 + 4 months	82.2	38.9
63 + 5 months	82.8	39.2
63 + 6 months	83.3	39.6
63 + 7 months	83.9	39.9
63 + 8 months	84.4	40.3
63 + 9 months	85.0	40.6
63 + 10 months	85.6	41.0
63 + 11 months	86.1	41.3

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64	86.7	41.7
64 + 1 month	87.2	42.0
64 + 2 months	87.8	42.4
64 + 3 months	88.3	42.7
64 + 4 months	88.9	43.1
64 + 5 months	89.4	43.4
64 + 6 months	90.0	43.8
64 + 7 months	90.6	44.1
64 + 8 months	91.1	44.4
64 + 9 months	91.7	44.8
64 + 10 months	92.2	45.1
64 + 11 months	92.8	45.5
65	93.3	45.8
65 + 1 month	93.9	46.2
65 + 2 months	94.4	46.5
65 + 3 months	95.0	46.9
65 + 4 months	95.6	47.2
65 + 5 months	96.1	47.6
65 + 6 months	96.7	47.9
65 + 7 months	97.2	48.3
65 + 8 months	97.8	48.6
65 + 9 months	98.3	49.0
65 + 10 months	98.9	49.3
65 + 11 months	99.4	49.7
66	100.0	50.0

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TABLE 4: FULL RETIREMENT AND AGE 62 BENEFIT BY YEAR OF BIRTH

The table below lists age 62 reduction amounts and examples based on an estimated monthly benefit of $1,000 at full retirement age.

Year of Birth	Full (normal) Retirement Age	Months between age 62 and full retirement age	At Age 62			
			A $1000 retirement benefit would be reduced to	The retirement benefit is reduced by [3].	A $500 spouse's benefit would be reduced to	The spouse's benefit is reduced by [4].
1937 or earlier	65	36	$800	20.00%	$375	25.00%
1938	65 and 2 months	38	$791	20.83%	$370	25.83%
1939	65 and 4 months	40	$783	21.67%	$366	26.67%
1940	65 and 6 months	42	$775	22.50%	$362	27.50%
1941	65 and 8 months	44	$766	23.33%	$358	28.33%
1942	65 and 10 months	46	$758	24.17%	$354	29.17%
1943-1954	66	48	$750	25.00%	$350	30.00%
1955	66 and 2 months	50	$741	25.83%	$345	30.83%
1956	66 and 4 months	52	$733	26.67%	$341	31.67%
1957	66 and 6 months	54	$725	27.50%	$337	32.50%
1958	66 and 8 months	56	$716	28.33%	$333	33.33%
1959	66 and 10 months	58	$708	29.17%	$329	34.17%
1960 and later	67	60	$700	30.00%	$325	35.00%

1. If you were born on January 1st, you should refer to the previous year.
2. If you were born on the 1st of the month, we figure the benefit as if your birthday was in the previous month. You must be at least 62 for the entire month to receive benefits.
3. Percentages are approximate due to rounding.
4. The maximum benefit for the spouse is 50% of the benefit the worker would receive at full retirement age. The % reduction for the spouse should be applied after the automatic 50% reduction. Percentages are approximate due to rounding.

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TABLE 5: SOCIAL SECURITY BENEFITS FOR THE SURVIVING SPOUSE BY YEAR OF BIRTH

Year of Birth [1.]	Full (survivors) Retirement Age*	At age 62 [2.] a $1000 survivors benefit would be reduced to	Months between age 60 and full retirement age	Monthly % reduction [3.]
1939 or earlier	65	$829	60	.475
1940	65 and 2 months	$825	62	.460
1941	65 and 4 months	$822	64	.445
1942	65 and 6 months	$819	66	.432
1943	65 and 8 months	$816	68	.419
1944	65 and 10 months	$813	70	.407
1945 - 1956	66	$810	72	.396
1957	66 and 2 months	$807	74	.385
1958	66 and 4 months	$805	76	.375
1959	66 and 6 months	$803	78	.365
1960	66 and 8 months	$801	80	.356
1961	66 and 10 months	$798	82	.348
1962 and later	67	$796	84	.339

If your spouse started receiving retirement benefits before his or her full retirement age, Social Security cannot pay you the full retirement age benefit amount on their record. The maximum survivors benefit is limited to what he or she would receive if they were still alive.

1. If you were born on January 1st of any year, you should refer to the previous year.
2. The $1,000 benefit would be reduced to $715 for anyone who started receiving survivor's benefits at age 60.
3. Monthly reduction percentages are approximate due to rounding. Your maximum benefit is limited to what your spouse would receive if he or she were still alive. Survivor's benefits that start at age 60 are always reduced by 28.50%.

*Full retirement age may be different for retirement benefits.

TABLE 6: STATE TAXABILITY OF SOCIAL SECURITY BENEFITS

Jurisdiction	Social Security Benefits
Alabama	Exclusion from gross income allowed for all benefits.
Arizona	Subtraction allowed for federal taxable benefits.
Arkansas	Subtraction allowed for federal taxable benefits.
California	Subtraction allowed for federal taxable U.S. benefits.
Colorado	Subtraction allowed for federal taxable benefits up to maximum of: • $24,000 for taxpayers who are 65 and older; and • $20,000 for taxpayers who are 55 and older or those who are second party beneficiaries such taxpayers.
Connecticut	Subtraction allowed equal to: • 100% of federal taxable benefits if federal AGI is less than $60,000 and filing status is married filing jointly, civil union filing jointly, head of household, or qualifying widow(er) with dependent child; • 100% of federal taxable benefits if federal AGI is less than $50,000 and filing status is single, married filing separately, civil union filing separately; or • The difference between federal taxable benefits and the lesser of 25% of benefits received or 25% of the excess of the specified base amount under IRC §86(b)(1).
Delaware	Subtraction allowed for federal taxable benefits.
Distric of Columbia	Subtraction allowed for federal taxable benefits.
Georgia	Subtraction allowed for federal taxable benefits.
Hawaii	Subtraction allowed for federal taxable benefits.
Idaho	Subtraction allowed for federal taxable benefits.
Illinois	Subtraction allowed for federal taxable benefits.
Iowa	Subtraction allowed for federal taxable benefits
Kansas	Subtraction allowed for federal taxable benefits if federal AGI is $75,000 or less.
Kentucky	Subtraction allowed for federal taxable benefits.
Louisiana	Subtraction allowed for federal taxable benefits.
Maine	Subtraction allowed for federal taxable benefits.
Maryland	Subtraction allowed for federal taxable benefits.
Massachusetts	Subtraction allowed for federal taxable benefits.
Michigan	Subtraction allowed for federal taxable benefits.
Minnesota	No adjustment allowed for federal taxable benefits.

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Mississippi	Exclusion from gross income allowed for all benefits.
Missouri	Subtraction allowed for percentage of amount included in federal tax base if state AGI is $100,000 or less for married taxpayers filing jointly or $85,000 or less for any other filing status. Subtraction reduced dollar for dollar on income in excess of threshold amount for taxpayer's filing status.
Montana	No adjustment allowed for federal taxable benefits
Nebraska	No adjustment allowed for federal taxable benefits.
New Jersey	Exclusion from gross income allowed for all benefits.
New Mexico	No adjustment allowed for federal taxable benefits.
New York	Subtraction allowed for federal taxable benefits.
North Carolina	Subtraction allowed for federal taxable benefits.
North Dakota	No adjustment allowed for federal taxable benefits.
Ohio	Subtraction allowed for federal taxable benefits.
Oklahoma	Subtraction allowed for federal taxable benefits.
Oregon	Subtraction allowed for federal taxable benefits.
Pennsylvania	Exclusion from taxable income allowed for all benefits.
Rhode Island	No adjustment allowed for federal taxable benefits.
South Carolina	Subtraction allowed for federal taxable benefits.
Tennessee	N/A, because tax imposed only on interest and dividend income.
Utah	No adjustment allowed for federal taxable benefits.
Vermont	No adjustment allowed for federal taxable benefits.
Virginia	Subtraction allowed for federal taxable benefits.
West Virginia	No adjustment allowed for federal taxable benefits.
Wisconsin	Subtraction allowed for federal taxable benefits.

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