

## Are You Aware of Changes to Social Security in 2021?

Did you know that there are over 2,700 rules governing Social Security? And currently, there are currently 64 million Americans receiving monthly benefits.

### **Change #1**

The Cost of Living Adjustment for 2021 is 1.3%. This is known as COLA. The average Social Security benefit check in 2020 was \$1509 per month. At that rate the increase equates to \$20 more per month. If your benefit check was \$2500 per month, you would receive an extra \$32.50 per month (or an extra \$390 per year).

The Medicare Part B premium increased \$3.40 per month, from \$144.60 per month in 2020 to \$148 per month in 2021 (for individuals not subject to IRMAA). That still leaves you with a larger benefit check.

### **Change #2**

The amount subject to payroll tax has been increased, which typically increases every year.

In 2020 the maximum taxable earnings limit was \$137,700. In 2021 the limit is \$142,800. What does this mean and how does it affect you? Let's say that your earnings in 2020 was \$200,000, as an employee you would have paid 6.2% on \$137,000 only. Your employer pays 6.2% on your behalf as well. Based on the \$200,000 of earnings –

#### **2020 Payroll Deduction**

Your share = \$8,537  
( $\$137,000 \times 6.2\%$ )

#### **2021 Payroll Deduction**

Your share = \$8,854  
( $\$142,800 \times 6.2\%$ )

If you are self-employed you pay the full 12.4%.

Social Security is a pay-as-you-go program. Each beneficiary receives benefits from the workers who pay into the system through payroll taxes.

In 1945 there were approximately 42 workers paying into the system for every one person collecting benefits. That has changed drastically since there are 64

million beneficiaries. Currently, approximately 3 workers pay into the system for every one person collecting benefits.

### **Change #3**

The maximum monthly benefit amount has increased. If someone filed for benefits at their FRA (Full Retirement Age) in 2020, the maximum monthly benefit possible to receive was \$3,011. In 2021 that amount has been increased to \$3,148.

### **Change #4**

Earn more money to earn work credits. To be eligible for Social Security, you must have earned a minimum of 40 quarters of coverage, or “credits” (10 years). The credit can only be earned from a job that pays Social Security payroll taxes. You cannot earn more than 4 credits per year, regardless how high your income may be.

In 2020, you had to have earned \$1,410 in a quarter to earn a “credit”. That amount goes up to \$1,470 in 2021.

### **Change #5**

Disabled beneficiaries can earn more income and still receive benefits. One may qualify for Social Security Disability benefits **only** if they earn less than a specified amount of income.

Non-blind disabled workers could only earn up to \$1,260 per month (in 2020) before becoming ineligible for benefits. In 2021, they can earn up to \$1,310 per month and still be eligible for benefits.

A blind disabled worker will be able to earn up to \$2,190 per month (in 2021) as opposed to \$2,110 (in 2020).

Not sure when you should collect your benefits? Are you taking advantage of Delayed Retirement Credits? Would you like to learn about increasing your Social Security benefits? Seek out the help of a professional.

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