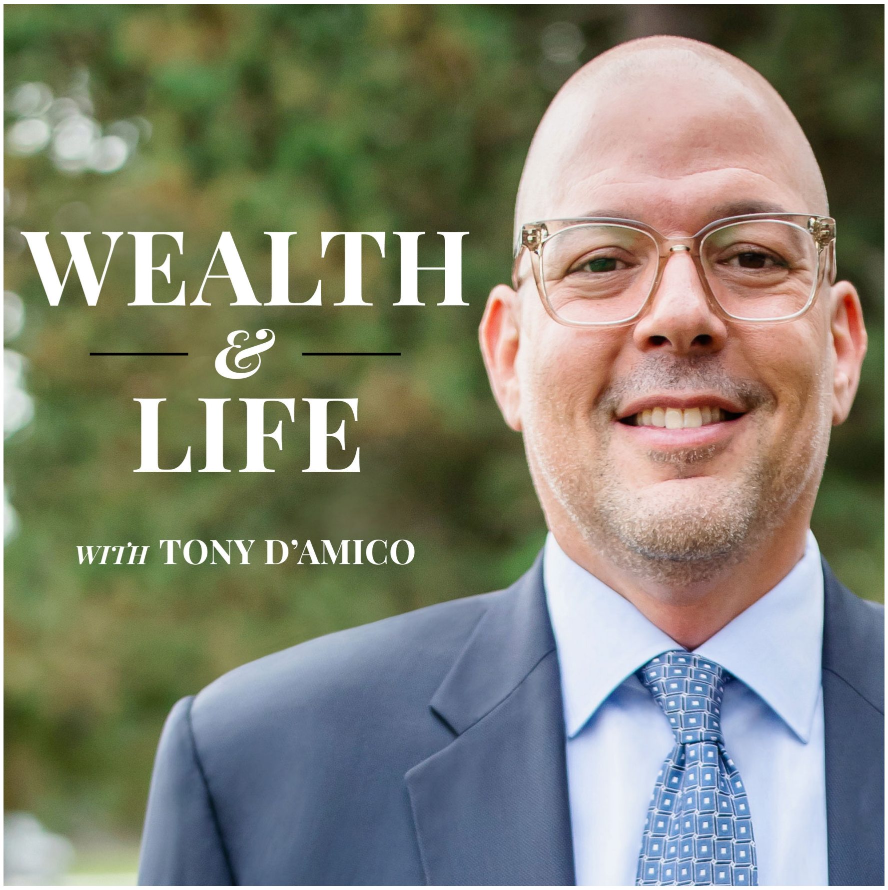
Ep #14: How to Optimize Your Social Security Benefits with Brandon P. Smith



Full Episode Transcript

With Your Host

Tony D'Amico

Wealth and Life **with Tony D'Amico**

Welcome to *Wealth and Life*, where you'll learn with financial planner, consultant, speaker, and business owner, Tony D'Amico. You'll hear stories from successful business owners and individuals about how they navigated the inevitable challenges that arose as they achieved each new level of success, and you'll get insights and strategies from leading wealth planning professionals on how to achieve your next level of success. Now here's your host, Tony D'Amico.

Tony D'Amico: Well, welcome to today's Wealth and Life Podcast. Today, we're going to be talking about something that I think is a very important topic. That's Social Security benefits. So, very easily one of the biggest decisions that people heading into retirement have to make. It's a very important asset that has very many unique characteristics as part of their comprehensive financial plan. So, we're going to talk about Social Security, how benefits are calculated, how your benefit grows. We'll also talk about various claiming strategies as well. We'll dig into these different topics to help you, the listener, be more educated and help you make the best decision in claiming your Social Security benefits.

Tony D'Amico: So, I'm going to introduce today's guest, who is Brandon Smith. He is the Public Affairs Specialist for the Social Security Administration. He received his Bachelor's Degree in Interpersonal and Public Communication from the University of Akron, Ohio. He is a native of Cleveland, Ohio and joined the Social Security Administration in 2003. He started his government career as a Claims Representative in the Middleburg Heights, Ohio Field Office, specializing in retirement, survivors, disability, and health insurance.

Tony D'Amico: In 2007, Brandon became the Public Affairs Specialist in the Cleveland area. Brandon is the primary contact for media relations, outreach, and presentations for the agency in the Cuyahoga, Lake, Lorain, and Geauga counties. In 2012, Brandon received a Regional Communicator Award from the Social Security Administration. In the summer of 2015, Brandon received a Deputy Commissioner Citation from the Social Security Office of Communication for his outstanding public affair support of the agency's national communication initiatives.

Tony D'Amico: Brandon is a member of various cultural and educational institutions in Greater Cleveland, such as the Western Reserve Historical Society, the Cleveland Museum of Arts, the Conservancy for Cuyahoga Valley National Park, the Cleveland Metroparks Zoo, and the Cleveland Museum of Natural History. Brandon and his lovely wife, Latoya are the proud parents of two beautiful children, a son and a daughter, and also have two cats that are part of their family.

Tony D'Amico: So, Brandon, welcome to the show today. Really excited to have you on and talk about something that I think is really important. Here's an important question first. So, who takes care of the cats primarily? Your kids or you or your wife?

Brandon Smith: It's me. I'll tell this really briefly. My wife didn't grow up with pets. So, the year before our son was born in 2008, she shocked the heck out of me when agreeing to go to the Animal Protective League and we adopted a great two-year-old lab mix. She lived with us joyfully through the birth of both kids. She unfortunately passed away in the summer of 2018, a week after my wife had agreed to get cat number one. So, we had cat number one. And then last May in 2020, he ran away. We couldn't find him for about nine weeks. So, we adopted a second cat, ironically, because that cat was born on my birthday. So, it felt like a kinship.

Brandon Smith: And then subsequently, we got the first cat back. So, we have these couple of tenuous weeks of them getting to know each other, but they're BFFs now. They're actually in my periphery. They act up a little bit during the day. So, it's either they're scratching something or they want something. The older cat just turns three. So, if I wasn't on your show, I'd be giving them some tricks just to keep them quiet. But long story short, Brandon Smith, father, husband, dad is on pooper scoop duty and food and water duty. That's on me.

Tony D'Amico: That's great. Well, there's always a story. So, we have some things in common. Our son was born in 2009. We have two cats as well. We're also huge dog lovers. So, he's promising that he will take care of the dog. So, we may get him one. Brandon is shaking his head no. I know that may not come to fruition.

Brandon Smith: I mean, he'll be a little older than my kids, because my kids were born into having a dog. So, by the time they came around, she was too big for them to walk. They want another dog, but I'm not ready for that emotional roller coaster. Even though in the summertime, it is great to walk a dog to the parks and the beaches and whatnot. But for right now, I'm okay with the litter boxes and the dry food.

Tony D'Amico: Yeah. Well, good. Well, Brandon, welcome to the show. Really excited to talk to you about Social Security and happy to have you on again with your background. Glad that we were introduced to one another. Looking forward to what you can share with our listeners. Perhaps, maybe Brandon, do you want to maybe talk about what Social Security is, how benefits are calculated, and some of those basics?

Brandon Smith: Sure. Social Security is a federal benefit paying agency. We pay benefits to 65, 70 million people monthly, primarily retirement benefits. That's the largest of the programs that we administer, but we also take care of the Social Security spousal benefits, disability, administer supplemental security income, which is a federal needs-based program for people that are blind, disabled, or over the age of 65 with limited income, limited resources. As my counterpart in the Akron area also says, "We're the gateway for you to get on to Medicare." People apply for Medicare benefits through the Social Security Administration, either through their local office or on the phone or online.

Brandon Smith: But as far as the topic today, I'm assuming we're probably going to focus more on our age-based programs, retirement, spousal, survivor. So, for most people, when it comes to Social Security retirement benefits, there's a work and an age requirement. You can't have one without the other. As far as the age is concerned, you got to be at least 62 years old to be eligible for Social Security retirement benefits.

Brandon Smith: Every month that you're willing and able to wait beyond 62, the check would increase. So, if you're 62 and 9 months old, that check is already going to be larger than it was when you were 62 and 2 months. Every month makes a difference. Because we have sons and children around the same age, your child is never 10. Your child is never 12. Kids are very specific. No, Dad, I'm 12 and a half. I am 10 and 3 months old. That's the mindset-

Tony D'Amico: For sure.

Brandon Smith: ... you got to have when you're applying for benefits. Now, look, my wife and I, we're in our mid-40s. I will admit, there are days when someone says, "Hey, man, how you doing? How old are you?" I draw blank, because in my head, I'm still a 15-year-old with worse knees, a little bit more money in his pocket, but a lot more debt. When it comes to Social Security, there's a difference between 60 and 62 and 11 months old. You got to be really specific in your head. There's also that work requirement. That work requirement means you need to have worked and paid into the system for at least 10 years on a part time basis. Those 10 years do not have to be consecutive. Those 10 years are going to give you what we call 40 credits of coverage in 2021.

Brandon Smith: I just want to say for all the listeners, every dollar amount I'm going to give you today, it's going to be specific to

2021. So, after December 31st, 2021, these numbers will probably be different. But this year, one credit of coverage is earned for every $1,470 that you make in 2021. So, for four credits, that's about $5,880. So, if a person has at least 10 years of earning about $5,000 or $6,000, they got the credits necessary to be eligible for benefits. So, 40 credits, which is 10 years of work, you'd be 62 to potentially qualify for retirement benefits.

Tony D'Amico: Awesome. How are the benefits calculated?

Brandon Smith: There's a lot of misinformation out there regarding what years and what timeframes. To simply put, when it comes to Social Security retirement benefits, what you're paid is going to be based on how old you are at the time. It's going to be based on a percentage of the monthly average of your highest 35 years of Social Security covered wages, not the last 3, not the high 5, not the high 10, what you worked and earned over the course of the highest 3.5 decades of Social Security covered work. I did a hard emphasis on two points, one, 35 years. Well, what if I don't have that many years? Then we are going to use some zeros. So, if a person only worked for 25 years, we're going to use 10 years of zeros.

Brandon Smith: Also, when we say Social Security covered wages, as you know and I'm sure many of your listeners know, there's a maximum taxable amount in which you pay into Social Security this year. You pay Social Security tax on the first $142,800. So, if you have one person who's making a very good decent wage of $150,000 versus someone else who's making life transformational money, they're making maybe $1.5 million a year. Well, a month, a year, they're both nice. In both instances, we consider them making the same amount of money, because they're only paying that 6.2% Social Security tax on the first $142,800. So, we take the highest 35 years in which you contributed into Social Security.

Brandon Smith: Those years are adjusted for inflation. They're added up. They're divided by 420, because that's the number of months there are in 35 years. What you now have is a monthly average of what you made over those years. We pay you a percentage of that amount. The more money you made, the larger your check will be. The less money you made, the smaller your check will be. But our benefits are calculated to give a slightly higher return back to lower paid workers. So, someone that had really low wages, maybe he or she is getting 50, 55% back in their Social Security benefit compared to what their monthly wages were.

Brandon Smith: While a higher income worker who's still getting more money, they might be getting 30 some odd percent of what they were making. So, people say, "Well, should I continue to work?" At least from our perspective, work as long as you want to or have to. But of course, if we're looking at everything in a vacuum, if you and your twin brother or sister made the same amount of money over the same number of years, but if you have 5 fewer years than them and you only have 30 years and they have 35, yes, they're going to get a larger check.

Tony D'Amico: Yeah, is there a maximum and minimum benefit for Social Security?

Brandon Smith: I jokingly tell people that the minimum is zero. I mean, it could be enough. As far as the maximum goes in 2021, someone at their full retirement age, the maximum check is $3,148. So, $3,148 is the maximum benefit someone could get this year who's retiring at his or her full retirement age. Sure, the check can continue to grow if you wait. I'm sure we'll talk about this, but everyone has what's called a full retirement age. That's the point in which you're getting the 100% unreduced check. That could be anywhere between 65 and 67, depending on when you were born.

Brandon Smith: But if you're willing and able to wait, the check can continue to grow strictly because of your age until you turn 70. Seventy is when you're getting the largest age-based check. So, this year, $3,148 is the maximum. I don't know if there's a mandated minimum that you're going to get, but the minimum could be zero. There's no guarantee that you're going to get a check if you don't meet the work and age requirement.

Tony D'Amico: Sure, sure. So, Brandon, so between 62 and full retirement age, the benefits grow by 6% annually, correct?

Brandon Smith: Yeah. Actually, for this conversation, I want to pull this up. I'll just highlight a couple points. I can send this to you if you want to share it with anybody, but we have what's called a full retirement age chart based on the year that a person was born. It shows the individual, how the benefit grows on a month-by-month basis from 62 all the way to their full retirement age. So, since it's 2021, we'll stick with people that were born in 1959, because they're the group of people that are turning 62 this year. That eligibility window was really just opening up for them.

Brandon Smith: So, for example, if you were born in 1959, turning 62 in 2021, if you up to take your check at say 62.5, you're getting 73.3% of a benefit. If you wait until 64, it's 81.1%. If you wait until 65, it goes up to 87.8%. So, per month, it could be 0.5%, 0.4%, 0.5%, 0.6% of an increase, which it's minimal on a month-by-month basis, but every little bit does contribute to it growing. But there isn't that grand leap. So, for example, people sometimes think, "Oh, I'm going to turn my birthday age or I'm going to turn 65." So, for example, 64 and 11 months is 87.2%. It's only 87.8% at 65. So, the difference between a month to month is relatively negligible.

Tony D'Amico: Right. It grows gradually month per month.

Brandon Smith: Very much so.

Tony D'Amico: It's not like it's going to change on your birthday or a calendar year. It's strictly incremental on a monthly basis. In that chart that you're referring to, you get 100% of the benefit at your full retirement age. Is that how that...

Brandon Smith: Correct. So, someone born 1959, their full retirement age is 66 plus 10 months. The chart shows that individual getting the 100% rate if they are able to wait. That's the key. You take it early, you are permanently locked into a lower rate. As far as Social Security is concerned, there is no uniform right time to take benefits. It's really up to the individual and his or her financial needs, health care needs, or just plain desire. Yes, as of your full retirement age. So, for me, I was born after 1960. So, my full retirement age is currently 67. If my goal was to wait to get my 100% check, I'd have to wait until then.

Tony D'Amico: Yup. At age 70, because the total benefit at age 70 in that chart, is it roughly 132% of the benefit or how does that chart work?

Brandon Smith: Yeah, so if you wait beyond your full retirement age, the check goes up at a rate of about two-thirds of 1% per month. You said if it's 12 full months, it's going to be 8% per year. So, for people born between 1943 and 1954, it's a straight 32%. For people that were born 1960 or later, it's only going to be maybe 30%. So, it will be in the 30-ish percentile larger than at your full retirement age. But of course, no matter how long you're going to live, if you did wait until 70, you are closer to whatever the eventual end will be versus 62.

Brandon Smith: I know these are difficult maybe conversations to have between you and your spouse. How long did mom and dad live? What's your overall health situation looking like? Do you need the money now versus later? So, there's no one-size-fits-all.

Tony D'Amico: Exactly. Yeah, I think that's just really helpful for people to know that it does grow by 6% per year from 62 to full retirement age. Like you mentioned, full retirement age is between the ages of 65 and 67 based upon your year of birth. And then from full retirement age to age 70, it grows by 8% per year. Those are really healthy growth rates. Now, like you said, in my capacity as a certified financial planner, everyone's circumstances, financial and non-financial, are different, right? So, it's not a one-size-fits-all, but it does grow a lot.

Tony D'Amico: Social Security is really an important asset. I view it as somebody, it's an asset that they have it. It is basically a guaranteed annuity, right? You can think of it like a guaranteed annuity that has a cost of living adjustment but also grows between 6% to 8% per year if you defer it. So, that's an unusual growth rate for an asset that is more bond-like if we think about it in the world of investing, stocks versus bonds. It's more bond-like, but it offers those growth rates which are compelling.

Tony D'Amico: When we maybe talk a little bit about some Social Security claiming considerations, I think from my perspective, it's important to note that it is a unique asset. Social Security is better, I guess, as part of... I guess, if you want to call it your comprehensive list of resources or on your balance sheet, if you will. Social Security does better if there's higher inflation, if you live longer, where sometimes your portfolio would be more challenged if there's lived shorter, right? So, I think that's important to know. But I guess when it comes to Social Security claiming, it can make a big difference, right?

Tony D'Amico: We don't know how long somebody will live, but I think it's really important, from my perspective as a financial planner and somebody who has a fiduciary duty to do what's best for the client, to really take into account a lot of factors, like you mentioned. What is their life expectancy? Do they have any health issues? Today, we find that when a couple reaches 65, there's a 47% chance that one of them will live to age 90. So, trying to provide that education that life expectancies have been on the rise. I haven't really reviewed the data after COVID. I'm sure it'll take a little bit of a hiccup, but I think long term, it'll probably level back out. We have life expectancies.

Tony D'Amico: So, I guess from a claiming standpoint, I think another thing, too, I like to remind people is that you pay into it, right? People pay 6.2% of their wages up to the $142,800. So, they are contributing into it. Their employers are also putting in 6.2% up to that $142,000 number. So, there's 12.4% going into it. So, I always like to tell people that. So, they maybe realize, "Okay, they have skin in the game. They should view it as an asset."

Tony D'Amico: What other assets do they have as far as maybe they have a pension through an employer? They could have an investment portfolio. And then how do they pair those assets? What's the best way to, I guess, create an income plan? I would probably say, for most of our clients, it is more of a game of chess. They tend to not have to take it. It's more of when's the most optimal time, but how do you have conversations when you do outreach about claiming strategies and claiming considerations?

Brandon Smith: What I used to do was I turn the question around to the individual and say, "Well, what does the man or a woman in the mirror want to do?" Of course, we can't offer specific advice regarding what you should do. We can at least let you know what your options are depending on your situation. So, you don't really need to be an expert on Social Security's benefits claiming strategies, because not every strategy or claiming consideration is going to be specific to you and your situation. You should, if possible, have all your ducks in a row and know all your information.

This may sound very simplistic to some of your listeners. This may be eye opening to others.

Brandon Smith: Make sure you know, of course, your Social Security number, name, date of birth. If you're married or were married and that marriage ended in divorce or death, you want to make sure you have as much information about that marriage as possible, because there could be an avenue of benefit eligibility for one of you two on the other person's record. So, who are you married to? What's his or her name, their Social Security number, date of birth, place of marriage? Where did it end? If it did end, your marriage certificate and divorce decrees. If you have minor children or children in high school or disabled adult children, we want to know about them, their birth certificates. Are you on there?

Brandon Smith: Do you have their Social Security numbers? Were you in the military? We'd want to know about your military service, if you are ever going to get benefits from a job in which you did not contribute into Social Security. So, here in Ohio, that's going to be most all of your public employees who work for the city, county, state, township, village, public library, public hospital, public school, public universities, they all need to give us some information, because of the fact that they're going to get these benefits. So, public sector job can't affect their Social Security.

Tony D'Amico: That's really helpful, Brandon. What I think I hear you saying and correct me if I'm wrong, is that it's not the Social Security Administration's job per se to let someone know what claiming strategy appears to have the best pros and cons for them, because you don't really have access to per se all of their other financial resources. How much have they saved for investments? Do they have a pension from a job where they paid into Social Security benefits? What I hear you saying, I think, is that your guys' role is to let people know what their options are and provide them that education around those options and what factors will influence their benefits. Is that a safe way to describe that?

Brandon Smith: Yeah, we're not a social media company. We don't know everything about them since the beginning of time. So, we know how much they worked and paid into Social Security. We have their age, obviously, in our system. But as far as what is the best choice for them, that would be giving a personal opinion. But it is our job to make sure that we clearly communicate, "Hey, look, were you married? Okay, who are you married to? Let's pull up that person's record to see if there are other avenues of eligibility for you." When we're asking these questions, it's because we don't know the answer.

Brandon Smith: So, if we're asking you about prior marriages, we wouldn't ask for the information if we already had it. If you were married three times and each marriage ended in divorce, but you were only married for, say, four years each, well, then there's no avenue of eligibility on those records. So, we'll keep it moving, but we are going to least ask about prior marriages or prior divorces or late spouses, just to see, "Well, we see that you're eligible on your own work record, but maybe you do qualify for spousal or divorce spousal or survivor benefits."

Brandon Smith: These are gender neutral payments. So, men could just as easily be eligible as a woman for any of these benefits. There's no such thing as a wife benefit or a husband benefit. It's a spousal or survivor. So, people need to make sure that they're exploring all their avenues of eligibility, but everybody's circumstances are going to be different.

Tony D'Amico: Absolutely.

Brandon Smith: Your friend across the street, who you play bridge with, maybe they were married for 15, 20 years before they got divorced and they are eligible, while you may not be.

Tony D'Amico: Like you said, to delay, you have to have the capacity to delay, right? If someone has to retire early, because let's say of a health condition, they have no choice and perhaps they don't have other resources, right? Then you have to claim it. In that case, it might be best to claim it then. A couple of points, I think, that will be helpful for our listeners is I think you can talk about from a claiming standpoint. Brandon, would you mind talking about if there's a married couple, just how a surviving spouse... Talk about what benefit they get to keep, because I think that's often not understood when people are thinking about claiming benefits.

Brandon Smith: Okay. When I do my regular spiel, I usually default to this fictitious couple that I call Dave and Jane. I know some Daves. I don't know any Janes. So, I don't know why I picked those names, but anyway. So, in my example, Dave and Jane both worked. They both paid into Social Security on their own work records. Neither one of them is getting a spousal check. They're both getting their own retirement. Jane's getting, say, $2,000 per month. Dave's getting close to it. He's getting about 1,700 bucks. So, each of them getting their own check. Now, they may have a joint account. So, all the monies go into the same account, but on a monthly basis, 3,700 bucks is deposited into their account. So, they were married in their 20s.

Brandon Smith: Let's say God forbid, Jane passes away in her 90s. Okay. Her check is going to stop. We can't pay her anymore. She's no longer with us. Dave, who was getting a smaller benefit check, can apply for survivor benefits through Social Security to increase the amount of his check to match hers. So, he can go from the $1,700 he was collecting on his own and we can increase his check by $300-ish to match what is now late wife was receiving. So, he as an individual is collecting more money, but the household is going to get less.

Brandon Smith: The natural thing is well, let's twist that around. She's getting $2,000. He's getting $1,700. Once again, peacefully in the age of 94, 95, let's say he passed away first. Well, there would be no additional monthly benefit to pay Jane, because Jane was already collecting a larger benefit amount than Dave when they're both alive. So, the cleanest way of thinking about it... You can get lost in the semantics. ... the surviving spouse can potentially receive a benefit amount equal to the higher of the two payments. But if he or she was already collecting the higher benefit, there's no additional monies to pay out on a monthly basis.

Brandon Smith: As a household, if you were both getting a check and now one of you is gone, you're going to receive less money as a household. I only emphasize that, because I've had a couple of conversations over my almost 18-year career, where the conversation goes very quickly. Someone calls us or someone asks a friend, "Hey, look, when my husband or wife passes away, will I get their check?" Someone says, "Yeah." That yeah has a lot of hidden meaning though. Some people think, "Oh, I'm going to continue to get my current amount plus their amount on top of it so that financially, I'm not going to skip a beat."

Brandon Smith: You know how it is. Sometime you hear better than expected information, and you don't do any additional fact checking. Remember when you were in grade school and it flashed across the screen that schools were closed, you didn't check the other stations. As long as you saw that scrolling across the screen one time for 2.3 milliseconds, you put your pajamas on and you started playing with your toys. You didn't need validation from some other source. I think that happens sometimes. There's a failure to communicate between maybe us and the member of the public. They just maybe roll with that inaccurate interpretation until it's time to pay them benefits. That's when it's... I don't want to be melodramatic and say the dream is shattered.

Tony D'Amico: Well, that's when the rubber hits the road, right?

Brandon Smith: Very much so.

Tony D'Amico: Yeah, yeah. I think the way that I like to communicate that as I educate others or our clients especially, the way I like to word it is that if the person that's the primary wage earner or has the higher Social Security benefit, if they claim early, it's potentially a reduced benefit, not just during their lifetime, but for their surviving spouse if they predeceased them. So, I think that's an important thing to understand.

Tony D'Amico: What happens if worst case happens and your spouse predeceases you whether early or later in life? But what about spousal benefits? Because spousal benefits is another area that I think is not often understood. Can you talk a little bit about how spousal benefits work? Based upon when you claim benefits, whether it's early or at full retirement age, how that will affect what spousal benefit you'll get?

Brandon Smith: Sure. To this day, I still get people who say, "Well, how long has this been around?" Actually, for quite a while, I mean, the Social Security was signed into law on August 14th, 1935. We started paying retirement benefits in 1937. And then spousal and survivor benefits came about in the 1939 amendments. So, it's been a while. So, back to my earlier point, I'd like to say, gender neutral. So, a spouse, regardless of gender, is the person who's currently married to the wage earner, the number holder. There are different rules if you're still married or divorced, but in this situation, everyone is still alive.

Brandon Smith: So, if an individual wants to apply for spousal benefits, which means benefits based on the work record of their still living spouse, couple things have to be in place. Number one, this applicant, this spouse, he or she needs to be at least 62 years old, unless you have children that are under the age of 16 or children that are disabled before turning 22.

Brandon Smith: Second thing, in most cases, you need to be married to the worker for at least one year before you're going to qualify for spousal benefits. Third thing is we cannot pay you as a spouse on the record of someone until that someone has applied for his or her own retirement benefits.

Brandon Smith: So, back to Dave and Jane. Let's say Jane made considerably more money than Dave over the course of their working careers. Let's say Dave would potentially be eligible on her record. Let's say they're both at least 62 years old, but Jane is adamant about waiting until 70. Well, we can't pay Dave any spousal benefits on her record while they're still married and they're still alive until she applies. So, he's going to have to wait those eight years to potentially qualify for any spousal benefits.

Brandon Smith: As far as how the benefit amount is calculated, as a spouse, the most you could receive is 50% of the worker's full retirement age amount. So, if an individual waits until 70, their husband or wife isn't eligible for half of that amount. They'd be eligible for no more than half of what that person would have gotten a couple of years earlier at his or her full retirement age.

Brandon Smith: I'll make it simple for the listeners of the show, because these numbers are really nice and round. Person born between 1943 and 1954, their full retirement age is 66. If they wait beyond 66, the check grows at a rate of 8%. At 70, the maximum rate would be 132%. Well, let's turn that decimal point into a dollar amount. Let's say instead of being 132%, let's say it's $1,320, which means 32% less of that at 66 would have been $1,000. So, in this situation, if your full retirement age is 66 with a benefit amount of $1,000 at 66, even you wait until 70 to get $1,320, which is 32% more, the most your spouse could receive while you're alive is $500, because that's 50% of what your full retirement age amount would have been.

Brandon Smith: However, that spouse that is applying for benefits, he or she needs to be at their full retirement age to potentially collect that full 50% and not already be receiving a benefit amount that is greater on their own record, because whatever they're collecting on their record is going to affect what they could receive on your record. So, your record could pay them 500 bucks, but they're already collecting at least 300, well, then the most we could potentially pay them is an additional two. But if you're already collecting, say, $700 in your own retirement benefits and the most you could collect as a spouse is $500, there's nothing to pay you because you're already given more money.

Tony D'Amico: Right. In that scenario, they're just going to be paid on their own benefit, because it was higher. I run into that a lot too, but in that scenario where the spousal benefits $500 and you mentioned that the applicant that was going to receive spousal benefits needs to apply for Social Security, needs to wait until they reach the age of full retirement. Correct?

Brandon Smith: If their goal is to get the full spousal benefit. See, everyone has the concept of half burned into their medulla oblongata, I'm not sure whether it is in the head, but it isn't half if you don't wait until your full retirement age. So, if you take the benefit early, just like retirement benefit reduced, it can be a reduced spousal benefit if you take it at say, 62 or 63 or 64 versus whatever your full retirement age is.

Brandon Smith: Look, we know that there have been generations, centuries, millennia of income inequality. But as individuals are in the workforce and salaries come a little bit closer to being even, you could very easily see a situation where neither one of the individuals is eligible for spousal benefits, because they're both getting a benefit amount that would exceed half on the other person's record.

Brandon Smith: When it comes to a survivor benefit, as long as you're now late husband or late wife was collecting more than you, you can potentially be eligible for something. But remember, as a spouse, they have to be receiving considerably more than you, because what we're doing is we're comparing what is your full retirement age amount to their full retirement age amount. If your amount is more than half of theirs or vice versa, there's no spousal benefit eligibility.

Tony D'Amico: Exactly. Yeah. The opportunities that I've seen over the years is sometimes there will be an increase if they elect spousal benefits. So, in those scenarios, let's say that the higher wage earner waited to age 70, so they're getting $1,320. The spouse, he wants to get spousal benefits, right? They can't get spousal benefits like you mentioned until the primary wage earner starts at age 70. But in the meantime, they can claim on their own record at full retirement age.

Tony D'Amico: And then once their spouse claims at age 70, then they can up theirs to the spousal benefit, if it's higher. Is that correct? So, in that case then, the spousal benefit would be $500. Let's say they claimed at full retirement age and they were just getting $400 a month. Once their spouse claims at age 70, it'll be bumped to 500. Is that-

Brandon Smith: Correct, correct. So, if you're eligible on your own work record, you meet the age requirement, you meet the work requirement and you decide to apply for your benefit, especially at your full retirement age, yeah, you're getting your full unreduced check. And then once the door of potential benefit eligibility opens up upon your husband or wife apply for his or her own benefit, if you're now eligible for a larger benefit amount, yes, we will take the application and start paying you that larger benefit amount going forward. You're right.

Tony D'Amico: Yeah, my experience has been the same. They're like, "This exists?" I'm like, "Yeah." That's why we're doing this podcast to get the education out. Brandon, from your perspective, any other knowledge points that you think would be helpful for the listeners and viewers about Social Security claiming as far as how it works and how it might affect their benefits?

Brandon Smith: People should be aware of how to get the ball rolling. I don't know when people will be listening to this particular show, but as of March of 2020, until the day we're recording this now, the offices are not open for face-to-face, walk-in interviews. So, if you need to apply for benefits right now, you'd have two options. You could do it online. Our website is socialsecurity.gov or ssa.gov. You can apply for retirement, spousal, disability, and Medicare benefits along with some people can apply for SSI, that federal needs-based program. The good thing about applying online is you can do it wherever you are, you can do it at your leisure, you can do it on the weekends and on holidays.

Brandon Smith: On a personal note, both my parents applied online for benefits. My dad's a couple of years older than mom, but they didn't have any hiccups. Dad did it in their bedroom, I think. That's the story I keep telling. I don't know where he was in their house. So he was in bed, because I did see him on his laptop in bed. Mom did it at the kitchen table. I know she wanted a sturdier surface than her laptop and benefits. Everybody's circumstances is going to be different. Some people, filing online feels very natural. They do their taxes online. They shop online. Some people still have a VCR that's flashing 12:00.

Brandon Smith: So, for those people, you may want to call us, our toll free national number, 1-800-772-1213, to schedule a phone appointment. I would say, you may have to take that trip down memory lane, especially when it comes to divorce spousal benefits. I know you may not have talked to he or she in decades, but were you married long enough for at least 10 consecutive years to potentially qualify as a divorced spouse?

Brandon Smith: If so, you may want to dig up that marriage certificate, divorce decree and see if you can find any old tax returns with his or her Social Security number. So, whenever you do apply, we have that information and we can at least see name. You're eligible for a couple 100 extra bucks on his or her record. So, the main thing going forward is have all your information readily available and decide what filing option works best for you.

Tony D'Amico: Yeah, yeah. Brandon, that's a good point, too, right? Because you talked about how if you were previously married for more than 10 years, there could be other, I guess, surprise eligibility that you just weren't aware of. So, that's great. Brandon, from my perspective, this conversation today reminds me of with us and the clients that we work with.

Tony D'Amico: Obviously, we know everything about them financially, non-financially, what their goals and aspirations are, what's important to them, their life expectancy, thoughts, all that, but it's no different than the collaboration that would happen between I think a certified financial planner and a CPA and a certified financial planner and an estate planning attorney, that collaboration where a CPA is going to have the tax expertise where a financial planner will probably maybe know other aspects of the client. This conversation reminds me of those collaborative relationships.

Tony D'Amico: I think the client is best served when it's a collaboration between their advisor and the other outside experts. So, I want to thank you for your collaboration and sharing so much today. I guess, before we conclude, anything else that you want to talk about that I didn't ask?

Brandon Smith: I would say part of maybe the filing planning or strategy benefit planning might be to encourage those that can, to create what's called a My Social Security account. That can be done free of charge at our website, socialsecurity.gov/myaccount. For those that are not receiving benefits, it's a good way for them to get a copy of their statement. It allows them to check to make sure that we have the correct earnings information for you. Your earnings statement is probably correct, but anytime there's human intervention, stuff could potentially happen.

Brandon Smith: So, I would just say, just give your statement a cursory glance annually, every year, other year. Just make sure that "Okay, when I pull up my earnings record, those earnings look right." If there is an unfortunate hiccup on there, you want to get it corrected before it's time for you to apply for benefits. The statement gives a good job of giving you estimates at different ages, let you know how much you would get if you became disabled, how much your loved ones would get in the event of your untimely passing. There's also another option for you to get a replacement Social Security card.

Brandon Smith: So, for people that may be, "I don't know how much I'm going to get," it's a good method of you be checking to make sure we have the correct earnings information, way to get a replacement Social Security card and get some benefit estimates. And then for your clients that are already on Social Security, the My Social Security account could be a good tool for making any changes, address, phone number, direct deposit, if they need a 1099 for tax purposes or benefit verification letter.

Brandon Smith: So, I would just say know your information. If you want to use our online tools, they're there for you to access any day of the week, any time of the year. Just realize that while we cannot tell you what you should do, we can't give advice, we will want to uncover every rock to see what benefits you are potentially eligible for.

Tony D'Amico: Awesome. Now, Brandon, a question that came to my mind is let's say somebody makes a decision to claim benefits, but they learned that that wasn't maybe the most optimal decision. Can they still undo that decision and give the money back if they do that within the first year? Is that still an option?

Brandon Smith: Yeah, so what you're talking about is somebody wants to do a withdrawal. A withdrawal is essentially where you want to wipe the slate clean. You can do withdrawal one time within 12 months of the month of entitlement, but you're right. All the money needs to be paid back. People just want to be careful, especially if you were on Medicare and you use the Medicare coverage. Because if you're doing withdrawal, are you also withdrawing from Medicare as well? Because if Medicare paid out on some bills, if you're wiping the slate clean, it says, if you truly didn't have Medicare.

Brandon Smith: So, you want to just check to see what any considerations regarding that. But let's say you weren't on Medicare. You applied at 62 and 4 months old. And then six months later, you decided, "You know what? I don't want to do this." You can file the withdrawal, pay us the money back, and then file again later on in life.

Tony D'Amico: Awesome. That's great. That's really good. Yeah, from my perspective, as we wrap up, I think, again, to the listeners out there, I encourage you to treat this as a very valuable asset and like Brandon mentioned, to get your information, to set up your account online through Social Security, get your earnings history. Those are all very valuable things that that Brandon covered. Claiming Social Security is both a financial decision and sometimes a non-financial decision, but there's having that meaningful conversation with your financial advisor or financial planner, making sure they have a great understanding of what's important to you, what your goals are, what your values are, what your important relationships are, your health outlook. Do you have any health issues?

Tony D'Amico: There's a lot of great tools out there where a financial planner can run different claiming strategies. I think also treating this asset with the respect that it deserves, because it does pay out a lot over your lifetime based upon what your payment will be. But there are tools out there to run different claiming strategies that will tell you what your total payout will be over your anticipated life expectancy. It will calculate what we call your breakeven age, which is how long you need to live to for that strategy to become profitable to you. Nobody has that crystal ball, but I think it's best to make decisions with the most information possible. I guess just from my perspective, don't do napkin math when making this decision. Be thoughtful, consider it, and give it its due diligence.

Tony D'Amico: So, great. Well, Brandon, as we wrap up, I ask all of our guests our signature question. So, this podcast is about achieving success, where wealth and life intersect. Success means different things to different people at different stages of their life. Being wealthy also means different things to different people. Brandon, you've accomplished what most people would call a very successful career with the Social Security Administration and you've obviously achieved numerous accomplishments. But when you think about the intersection of wealth and life moving forward for you, what does success look like for you moving forward?

Brandon Smith: That is a really good question. I will answer this way. I've been influenced by some things I've learned over the years and even the last couple of days. It's a moving target. Success when I was 25 looked different than it does now that I'm almost 46 years old. I'd say right now, especially our son is 12, daughter's almost 10 years old, their continued growth and happiness and health as they enter... I feel like if I had hair to pull, I would. ... those adolescent years.

Brandon Smith: Success for me also means supporting my wife and any of her... She works for a large local bank. ... goals and aspirations are. I view the success to the happiness of my family and loved ones. For myself, I'm a relatively simple guy, just continuing my personal pursuits. So, in my own growth as a son, as a father, as a husband, I'd like to lose some weight. I'd like to read more. I've slacked off a little bit during the pandemic.

Brandon Smith: So, as far as wealth goes, I'm stealing a lot of that I heard from a gentleman named Scott Galloway, he was mentioning about wealth and he mentioned his parents. They bring home about $48,000, but their expenses are only $40,000. So, he says, "For me, they're wealthy. They're paying all their bills. They have enough money to take whatever vacation they wanted to, versus the people that are making $2 or $3 million, but they are paying out $4 or $5 million for private schools."

Brandon Smith: So, for me, I've never said, "I want more money per se," less debt, the ability to continue to pay the bills and still have enough money to do what we want to do. If Elon Musk is listening, a Tesla would be nice in the garage.

Tony D'Amico: That's great. Well, Brandon, thank you again, very much for your collaboration on this episode. All that you shared is very valuable. So, thank you.

Brandon Smith: Thank you. Look, I'd love to do this again. If there's any desire sometime in the future, let me know.

Tony D'Amico: For sure. Thanks, Brandon.

Brandon Smith: Thank you, sir.