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$3,822

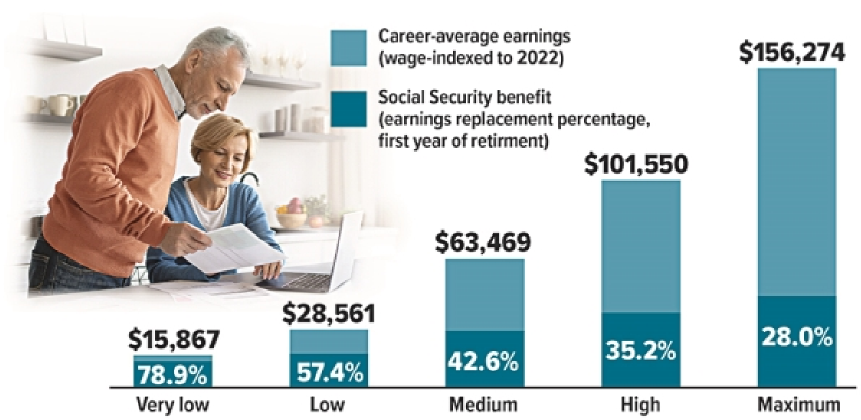
Maximum monthly Social Security benefit for someone who claims benefits at full retirement age in 2024. Someone who claims at age 62 in 2024 would only be eligible for a maximum of $2,710, while a claimant who delayed to age 70 could receive a maximum of $4,873. To receive the maximum benefit, you must earn the maximum income subject to Social Security tax for each of your 35 highest-earning years. This is indexed for inflation and has ranged from $25,900 in 1980 to $168,600 in 2024.

Source: Social Security Administration, 2023

How Much Income Does Social Security Replace?

Social Security can play an important role in funding retirement, but it was never intended to be the only source of retirement income. The Social Security benefit formula is based on a worker's 35 highest-earning years (indexed for inflation), and the percentage of pre-retirement income replaced by the benefit is lower for those with higher earnings, reflecting the assumption that higher earners can fund retirement from other sources.

Here are replacement rates — based on five levels of earnings — for someone who claims benefits at full retirement age (FRA) in 2024 (i.e., born in 1958 and claiming at age 66 and 8 months). Rates would be similar for those who claim at FRA in other years.



Source: Social Security Administration, 2023 (Rates are based on scheduled benefits under current law and may be significantly lower in the future if Congress does not address the Social Security shortfall.)

December 2023

Will You Work Beyond Traditional Retirement Age?

More than seven out of 10 current workers in a recent survey said they expect a paycheck to play a role in their income strategy beyond traditional retirement age. In fact, 33% expect to retire at age 70 or older, or not at all.[1]

If you expect to continue working during your 60s, 70s, or beyond, consider the advantages and disadvantages carefully. Although working can enhance your retirement years in many ways, you may also face unexpected consequences, particularly when it comes to Social Security.

Advantages

There are many reasons why you may want to work during retirement. First and perhaps most obvious, a job offers a predictable source of income that can help pay for basic necessities, such as food, housing, and utilities.

Working may also allow you to continue saving on a tax-deferred basis through a work-based retirement savings plan or IRA. Traditional retirement accounts generally require you to take minimum distributions (RMDs) after you reach age 73 or 75, depending on your year of birth; however, if you continue working past RMD age, you can typically delay RMDs from a current employer's plan until after you retire, as long as you don't own more than 5% of the company. (Roth IRAs and, beginning in 2024, work-based Roth accounts do not impose RMDs during the account owner's lifetime.)

Moreover, employment can benefit your overall well-being through social engagement with colleagues, intellectual stimulation, and, if you're employed in a field that requires exertion and movement, mobility and fitness.

Working may also provide access to valuable health insurance coverage, which can supplement Medicare after the age of 65. Keep in mind that balancing work-sponsored health insurance and Medicare can be complicated, so be sure to seek guidance from a qualified professional.

A paycheck might also allow you to delay receiving Social Security benefits up to age 70. This will not only increase your monthly benefit amount beyond what you'd receive at early or full retirement age, it will add years of earnings to your Social Security record, which could further enhance your future payments.

If one of your financial goals is to leave a legacy, working longer can help you continue to build your net worth and preserve assets for future generations and causes.

Why Retirees Work

Source: Employee Benefit Research Institute, 2023 (multiple responses allowed)

Disadvantages

There are some possible drawbacks to working during retirement, especially regarding Social Security. For instance, if you earn a paycheck *and* receive Social Security retirement benefits before reaching your full retirement age (66–67, depending on your year of birth), part of your Social Security benefit will be withheld if you earn more than the annual Social Security earnings limit. However, the reduction is not permanent; in fact, you'll likely receive a higher monthly benefit later. That's because the Social Security Administration recalculates your benefit when you reach full retirement age and omits the months in which your benefit was reduced.

After reaching full retirement age, your paycheck will no longer affect your benefit amount. But if your combined income (as defined by Social Security) exceeds certain limits, it could result in federal taxation of up to 85% of your Social Security benefits.

Perhaps the biggest disadvantage to working during retirement is ... working during retirement. In other words, you're not completely free to do whatever you want, whenever you want, which is often what people most look forward to at this stage of life.

Finally, a word of caution: Despite your best planning and efforts, you may find that you're unable to work even if you want to. Consider that nearly half of today's retirees left the workforce earlier than planned, with two-thirds saying they did so because of a health problem or other hardship (35%) or changes at their company (31%).[2]

For these reasons, it may be best to focus on accumulating assets as you plan for retirement, viewing work as a possible option rather than a viable source of income.

1–2) Employee Benefit Research Institute, 2023

Reviewing Your Estate Plan

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. Due to its importance and because circumstances change over time, you should periodically review your estate plan and update it as needed.

When Should You Review Your Estate Plan?

Reviewing your estate plan will alert you to any issues that need to be addressed. For example, you may need to make changes to your plan to ensure it meets all of your goals, or when an executor, trustee, or guardian can no longer serve in that capacity. Although there's no hard-and-fast rule, you'll probably want to do a quick review each year, because changes in the economy and in the tax code often occur on an annual basis. At least every five years, do a more thorough review.

You should also revisit your estate plan immediately after a major life event or change in your circumstances.

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren.
- There has been an addition to your family through birth, adoption, or marriage (stepchildren).
- Your spouse or a family member has died, has become ill, or is incapacitated.
- Your spouse, your parents, or another family member has become dependent on you.
- There has been a substantial change in the value of your assets or in your plans for their use.
- You have received a sizable inheritance or gift.
- Your income level or requirements have changed.
- You are retiring.
- You have made (or are considering making) a change to any part of your estate plan.

Some Things to Consider

- Who are your family members and friends? What is your relationship with them? What are their circumstances in life? Do any have special needs?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Is your choice of an executor or a guardian for your minor children still appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or do-not-resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust or durable power of attorney to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiaries at your death.
- Do you have any trusts, either living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust. (The use of trusts involves a complex web of tax rules and regulations, and usually involves upfront costs and ongoing administrative fees. You should consider the counsel of an experienced estate professional before implementing a trust strategy.)
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

'Tis the Season for Gift Card Scams

Gift cards are always at the top of holiday wish lists. In fact, gift cards are the gift consumers want to receive the most during the 2023 holiday season.[1] Unfortunately, gift cards are also popular with scam artists.

A relatively new gift card scam involves scam artists placing a barcode sticker over the real gift card barcode. When the gift card gets scanned at checkout, the funds end up on the scammer's card that is linked to the barcode sticker.

A more common scam involves scam artists copying the gift card number and scratching off the PIN label before the gift card is purchased. They then monitor the gift card account online in order to steal the funds as soon as the gift card is purchased and activated. They may also try to sell the compromised gift card on an unofficial or third-party website.

Scam artists may also use emails, texts, and phone calls to pose as popular brands or retailers claiming you've won a free gift card. Often these giveaways promise large sums and seem "too good to be true." The scammer will then try to convince you to give them your personal and financial information in order to claim your prize.

Finally, scam artists will sometimes pose as a legitimate business or organization and claim that you need to make a payment using a gift card instead of using a conventional form of payment such as a credit card or check. The scammer will usually tell you which specific gift cards to buy and will instruct you to purchase the gift cards from several different retailers in order to avoid suspicion. They may even threaten you with arrest or legal action in order to obtain the gift card number and PIN.

Whether you are giving a gift card or are a gift card recipient, here are some tips to help you avoid becoming the victim of a scam.

- Inspect gift cards for signs of tampering. Make sure the scratch-off coating is on the card and that the PIN on the back isn't showing. Check the barcode on the back of the gift card to make sure that it matches the one on the packaging.
- Keep a copy of the gift card and its receipt. This will help you if the gift card is ever lost/stolen or if you have to report fraudulent activity to the issuer.
- Only purchase or use gift cards from trusted retailers and reputable websites.
- Be wary of anyone who asks you to pay them with a gift card.

If you ever are the victim of a gift card scam, report it immediately to the gift card issuer and the Federal Trade Commission at ReportFraud.ftc.gov.

1) National Retail Federation and Prosper Insights & Analytics, October 2023