

# **2022 Changes for Social Security and Medicare: What Clients Need to Know**



**By Elaine Floyd, CFP®**

**Director of Retirement and Life Planning  
Horseshmouth**



# What's new for 2022

- **Social Security cost-of-living adjustment (COLA)**
- **New earnings test thresholds**
- **New taxable wage base**
- **New bend points: higher PIAs for maximum earners**
- **Window closing for restricted application**
- **Part B Medicare premiums, new IRMAA thresholds**
- **The latest Social Security reform proposals**



# 1. Social Security cost-of-living adjustment

- Checks going up by 5.9%
- All PIAs raised by COLA, whether or not benefits have started



## 2. Earnings test thresholds

- **\$19,560 pre-FRA year**
  - Benefits withheld \$1 for \$2
- **\$51,960 FRA year**
  - Benefits withheld \$1 for \$3
- **First-year monthly earnings test**
  - \$1,630 pre FRA
  - \$4,330 FRA year



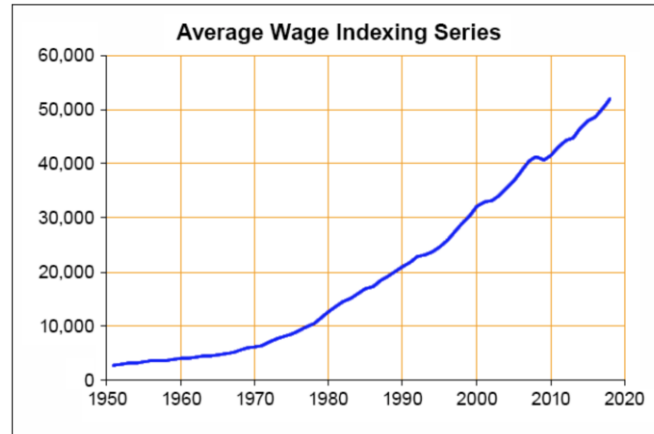
### 3. Maximum wage base for 2022: \$147,000

- Additional earnings (or lack thereof) may affect the PIA
- Statement estimate may be off
  - Early retirees: send to Retirement Estimator ([www.ssa.gov/estimator](http://www.ssa.gov/estimator)) or ballpark \$100-\$200 less than statement shows
  - Continued earnings make a bigger difference for clients with less than 35 years of earnings (but later earnings always count for more than earlier earnings so everyone who works can improve their benefit)



## 4. New indexing factors and bend points

- Average wage index up 2.83% (lower than usual)
- Affects benefit increase for 1960 cohort



# Average Indexed Monthly Earnings (AIME) for baby boomer born in 1960

## Maximum earnings since 1982

**\$4,801,019 in total indexed  
earnings ÷ 420 months =  
\$11,430 AIME**

Year	Age	Nominal earnings	Indexing factor	Indexed earnings
1982	22	32,400	3.828181	124,033
1983	23	35,700	3.6506526	130,328
1984	24	37,800	3.4476826	130,322
1985	25	39,600	3.3067955	130,949
1986	26	42,000	3.2114755	134,882
1987	27	43,800	3.0189439	132,230
1988	28	45,000	2.8772362	129,476
1989	29	48,000	2.767654	132,847
1990	30	51,300	2.6454562	135,712
1991	31	53,400	2.5504135	136,192
1992	32	55,500	2.425445	134,612
1993	33	57,600	2.4047635	138,514
1994	34	60,600	2.3419088	141,920
1995	35	61,200	2.2516541	137,801
1996	36	62,700	2.1466703	134,596
1997	37	65,400	2.0283162	132,652
1998	38	68,400	1.9274367	131,837
1999	39	72,600	1.8256939	132,545
2000	40	76,200	1.7300237	131,828
2001	41	80,400	1.6897131	135,853
2002	42	84,900	1.6729354	142,032
2003	43	87,000	1.6330158	142,072
2004	44	87,900	1.560473	137,166
2005	45	90,000	1.5053904	135,485
2006	46	94,200	1.4392386	135,576
2007	47	97,500	1.3767588	134,234
2008	48	102,000	1.3457999	137,272
2009	49	106,800	1.3664063	145,932
2010	50	106,800	1.3348569	142,563
2011	51	106,800	1.2943021	138,231
2012	52	110,100	1.2551106	138,188
2013	53	113,700	1.2392711	140,905
2014	54	117,000	1.1967896	140,024
2015	55	118,500	1.1565527	137,051
2016	56	118,500	1.1436295	135,520
2017	57	127,200	1.1054553	140,614
2018	58	128,400	1.0667897	136,976
2019	59	132,900	1.0282553	136,655
2020	60	137,700	1.0000000	137,700
2021	61	142,800	1.0000000	142,800
			<b>Total</b>	<b>\$4,801,019</b>
			<b>AIME</b>	<b>\$11,431.00</b>

## Example of benefit formula for max earner

- Baby Boomer born in 1960 – turns 62 in 2022
- Maximum Social Security earnings every year since age 22
- AIME = \$11,430
- PIA formula:
  - $\$1024 \times .90 = \$921.60$
  - $\$5,148 \times .32 = \$1,647.36$  (\$6,172 - \$1,024 = \$5,148)
  - $\$5,258 \times .15 = \underline{\$788.70}$  (\$11,430 - \$6,172 = \$5,258)
  - Total =  $\$3,357.66$

**PIA = \$3,357.60**

Amount worker will receive at full retirement age



## **5. Window closing for restricted application**

- **Strategy: Receive spousal benefit while own benefit builds delayed credits to age 70**
- **Phaseout: Only those born before January 2, 1954 are eligible**
- **Everyone eligible is already over FRA, but strategy not expiring: can still do it up to age 70**
- **Remember...**
  - **Must not have previously filed for benefits**
  - **Other spouse must have filed**
  - **Other spouse need not be born before 1954**
- **See my Aug. 3, 2017 newsletter: “How To File a Restricted Application”**
- **Does not apply to survivor benefits**



## **6. OASDI Trust Fund still growing (barely)**

**Trust fund balance on 12/31/19: \$2.897 trillion**

### **2020 results**

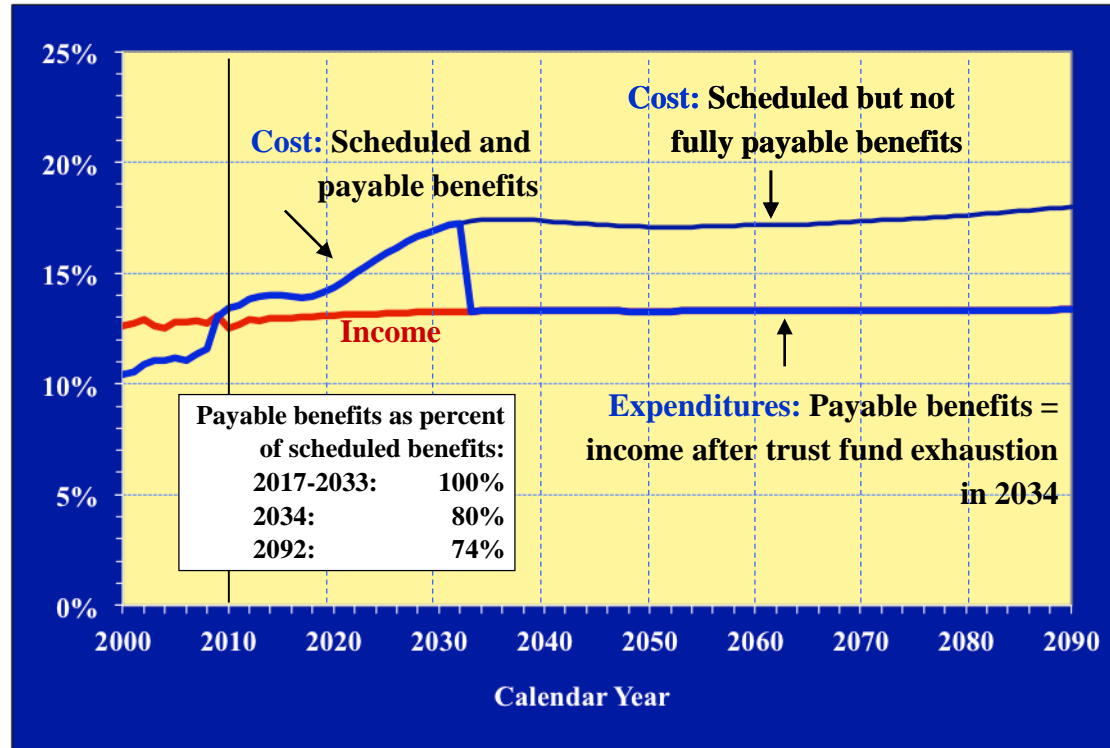
- Total income: \$1.118 trillion**
- Total expenditures: \$1.107 trillion**
- Net increase in assets: \$ 11 billion**

**Trust fund balance on 12/31/20: \$2.908 trillion**

Source: Social Security Administration, Office of the Chief Actuary



# Long-term projections: without reform, benefits fall to 78% in 2034



# Office of the Chief Actuary's Estimates of Individual Changes Modifying Social Security


[Office of the Chief Actuary](#)

[Solvency Proposals](#)

[2019 Trustees Report](#)

[Understanding Interaction Among Options](#)

Annual [Trustees Reports](#) provide estimates of the financial status of Social Security's [Old-Age and Survivors Insurance](#) (OASI) and [Disability Insurance](#) (DI) Trust Funds under current law. Recent Reports call for informed discussion, creative thinking, and timely legislation to address expected future deficits. Many policy makers have developed proposals and options to address this long-range solvency problem. Listed below is a broad range of policy options that would address Trust Fund solvency and other issues related to Social Security benefits and financing. Many of these options are part of comprehensive proposals intended to restore Trust Fund solvency.

We group the options into categories, as shown below. We also provide a [summary list of all options](#)  (PDF version).

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## Category of Change to the Social Security Program

*(Estimates based on the 2019 Trustees Report unless otherwise stated)*

A: Cost of Living Adjustment

F: Coverage of Employment or Earnings/Inclusion of Other Sources of Revenue

B: Level of Monthly Benefits (PIA)

G: Investment in Marketable Securities

C: Retirement Age

H: Taxation of Benefits

D: Benefits for Family Members

I: Individual Accounts

E: Payroll Taxes (including maximum taxable)

J: All Categories

Estimates available in HTML and PDF. PDF requires [Adobe Acrobat Reader](#) or equivalent.

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<https://www.ssa.gov/oact/solvency/provisions/index.html>



## Office of the Chief Actuary's Estimates of Proposals to Change the Social Security Program or the SSI Program

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[Frequently Asked Questions about Trust Funds](#)

[Individual Provisions](#)

Search for letters or memoranda by key word(s):

Go

Reset

Search by the developer(s) of the proposal:

\*\* Select a name \*\*

Go

The last 10 [Trustees Reports](#) have indicated that Social Security's **Old-Age, Survivors, and Disability Insurance** (OASDI) Trust Fund reserves would become depleted between 2033 and 2035 under the intermediate set of assumptions provided in each report. If no legislative change is enacted, scheduled tax revenues will be sufficient to pay only about three-fourths of the scheduled benefits after trust fund depletion. Policymakers have developed proposals and options that have financial effects on the OASDI Trust Funds. Many of these proposals and options have the intent of addressing the long-range solvency problem.

The Office of the Chief Actuary also develops estimates of proposals to change the Supplemental Security Income (SSI) program.

We have prepared letters or memoranda for many of these proposals and options. Each letter or memorandum provides an actuarial analysis showing the estimated effect on the financial status of the Social Security program and/or the SSI program.

These documents are provided in Portable Document Format (PDF), which we recommend for printing (requires [Adobe Acrobat Reader](#)). Some of the documents are also available in HTML format.

The documents are listed below in chronological order, most recent first. To search the list, use the search forms at left.

Date of letter or memorandum	Developer(s) of proposal	Subject and related information
November 9, 2021	Al Lawson	Estimate of the Financial Effects on Social Security of H.R. 5737, the "Social Security for Future Generations Act of 2021," introduced on October 26, 2021 by Representative Al Lawson ( <a href="#">PDF version</a> 📄)
November 3, 2021	Kevin Brady	Estimate of the Financial Effects on the Social Security Trust Funds of the "Equal Treatment of Public Servants Act of 2021," introduced on November 3, 2021 by Ranking Member Kevin Brady ( <a href="#">PDF version</a> 📄)
October 26, 2021	John Larson	Estimate of the Financial Effects on Social Security of the "Social Security 2100: A Sacred Trust" Act, introduced on October 26, 2021 by Chairman John Larson ( <a href="#">PDF version</a> 📄)

<https://www.ssa.gov/oact/solvency/index.html>



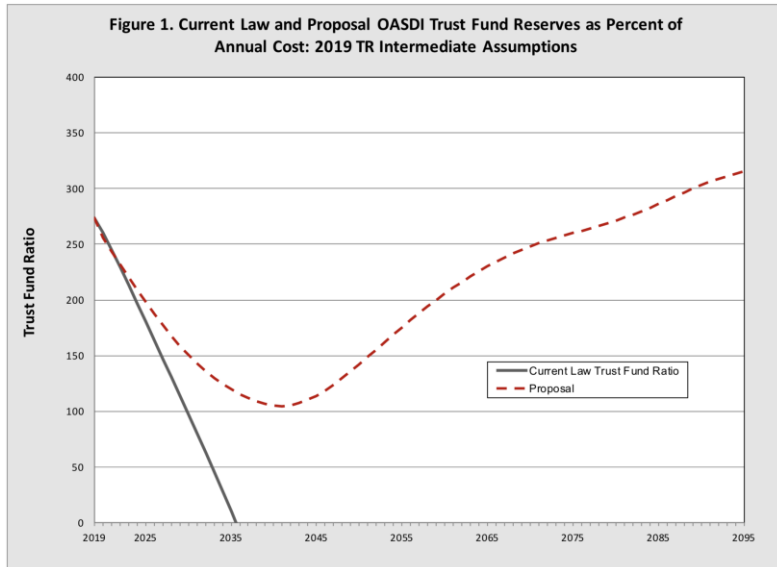
# **Social Security 2100 Act: A Sacred Trust**

- Would increase first bend point multiplier from .90 to .93
- Would base cost-of-living adjustments on the CPI-E
- Would replace current taxation thresholds to \$35,000 for single individuals and \$50,000 for couples. If income over these levels 85% of benefits would be taxed
- Would withhold OASDI taxes on income over \$400,000. A “second AIME” would be created to credit these earnings, with a 2% multiplier
- Would pay an alternative benefit to surviving spouses (75% of joint amount)
- Would give earnings credit to caregivers
- Would provide benefits to grandchildren, dependent benefits to age 26 if in school
- Would temporarily cease WEP and GPO
- Would prevent reductions in the AWI from reducing benefits for newly eligible beneficiaries

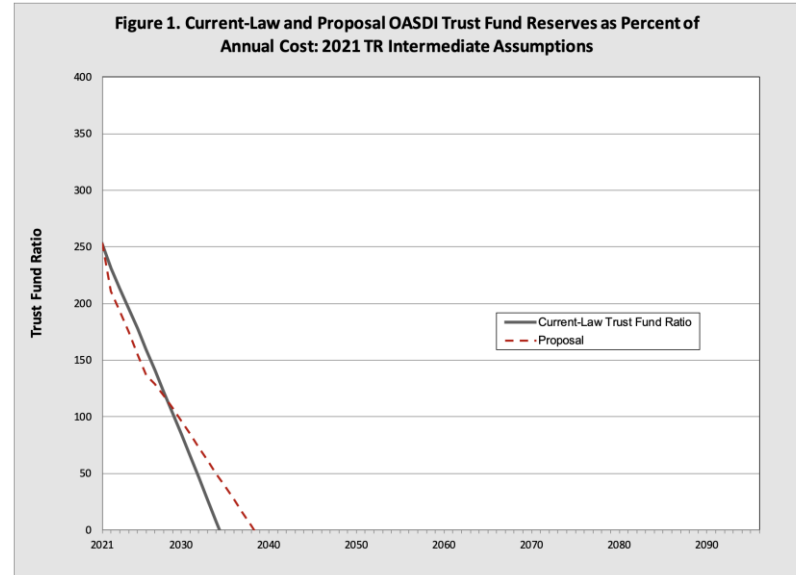


# Would NOT restore full solvency because everything sunsets in 2027

(Designed to get Republicans on board)



Prior bill



Current bill



## **7. New Medicare numbers for 2022**

- **Part B base premium: \$170.10**
  - **14.5% increase due to:**
    - **General increase in health care costs**
    - **Congressional action to limit 2021 premium increase**
    - **Additional contingency reserves for expensive Alzheimer's drug**
- **IRMAA income brackets adjusted for inflation: Starts at AGI \$91,000 single, \$182,000 joint**



# 2022 monthly premiums for Parts B & D Including Income Related Monthly Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$91,000	≤ \$182,000	≤ \$91,000	\$170.10	\$0.00	\$40.00	\$0.00	\$210.10
\$91,001 - \$114,000	\$182,001 - \$228,000		\$170.10	\$68.00	\$40.00	\$12.40	\$290.50
\$114,001 - \$142,000	\$228,001 - \$284,000		\$170.10	\$170.10	\$40.00	\$32.10	\$412.30
\$142,001 - \$170,000	\$284,001 - \$340,000		\$170.10	\$272.20	\$40.00	\$51.70	\$534.00
\$170,001 - \$499,999	> \$340,001 - \$749,999	\$91,001 - \$408,999	\$170.10	\$374.20	\$40.00	\$71.30	\$655.60
≥ \$500,000	≥ \$750,000	≥ \$409,000	\$170.10	\$408.20	\$40.00	\$77.90	\$696.20

These do not include premiums for Medicare Advantage or Medicare supplement plans

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# **Medicare deductibles**

## **Amount You Pay**

- **Part A - \$1,556 per spell of illness**
- **Part B - \$233/year**
  - **Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others**
- **Part D – \$480/year**



## **Part D drug plans**

- **Find a drug plan that meets client's needs based on the medications they take**
- **Find cheapest drug plan if not taking drugs (to avoid late enrollment penalty)**
- **Go to [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan)**



# What to do now

- **Become the go-to expert on Social Security and Medicare**
  - **Learn** the rules
  - **Teach** the public
  - **Recommend** strategies
  - **Follow up** with seminar attendees



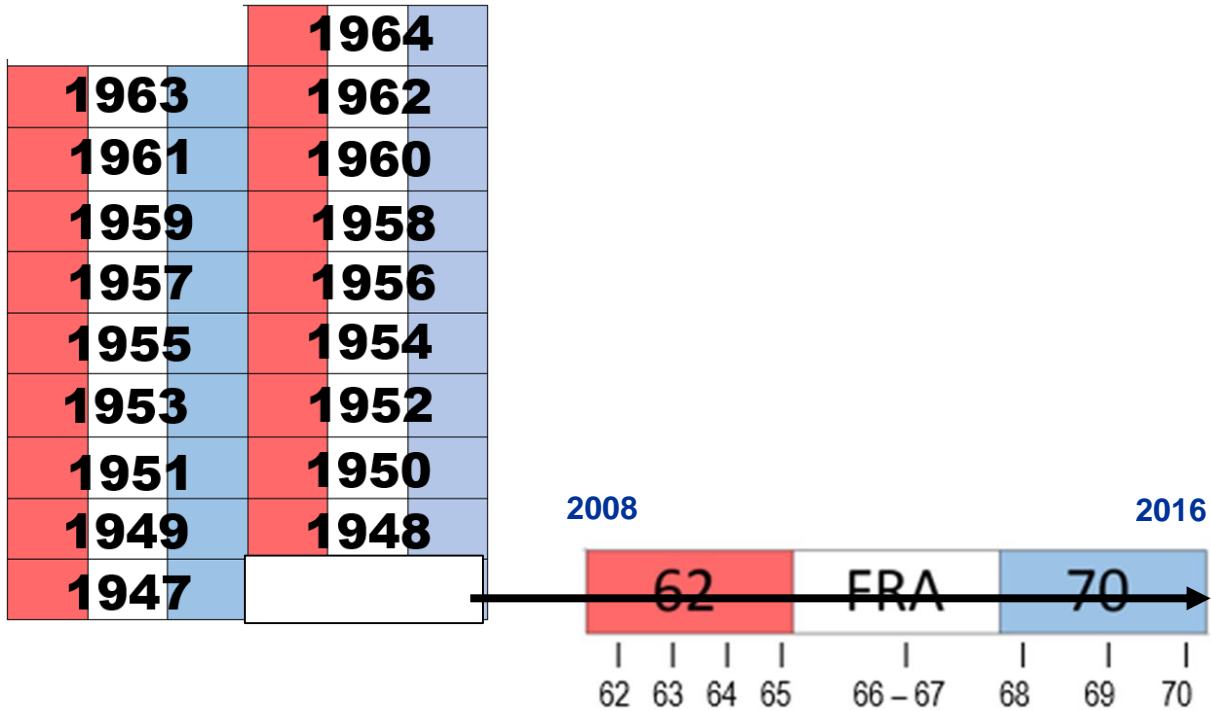
- **76%** of future retirees who currently work with – or plan to work with – an advisor say they would likely **switch** and find an advisor who could advise on Social Security. (Nationwide Retirement Institute)



# **The Advice Opportunity: Boomers in the pipeline**

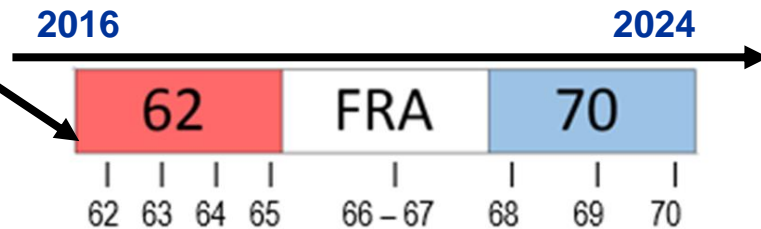


## 1946 Boomers started claiming in 2008, finished claiming in 2016



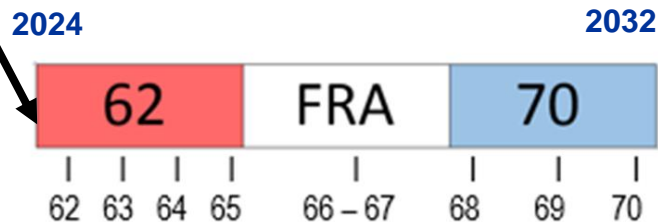
## 1954 Boomers entered the claiming pipeline in 2016, will finish in 2024

		1964	
1963		1962	
1961		1960	
1959		1958	
1957		1956	
1955		1954	



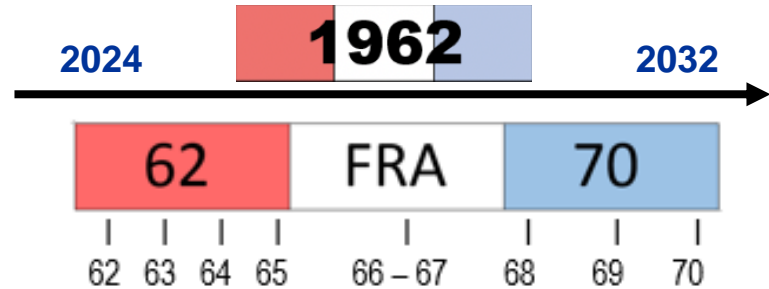
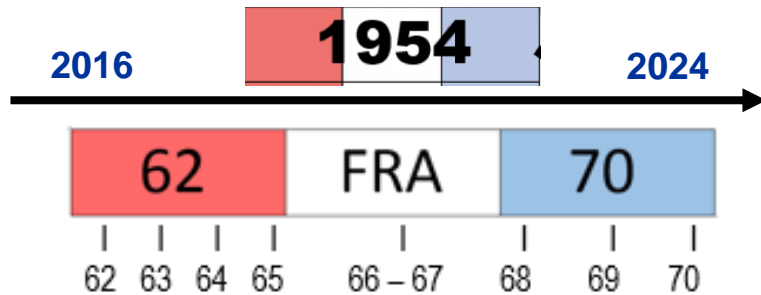
**1962 Boomers will enter the  
claiming pipeline in 2024, will finish  
in 2032**

		1964
1963		1962
1961		1960
1959		1958
1957		1956
1955		1954

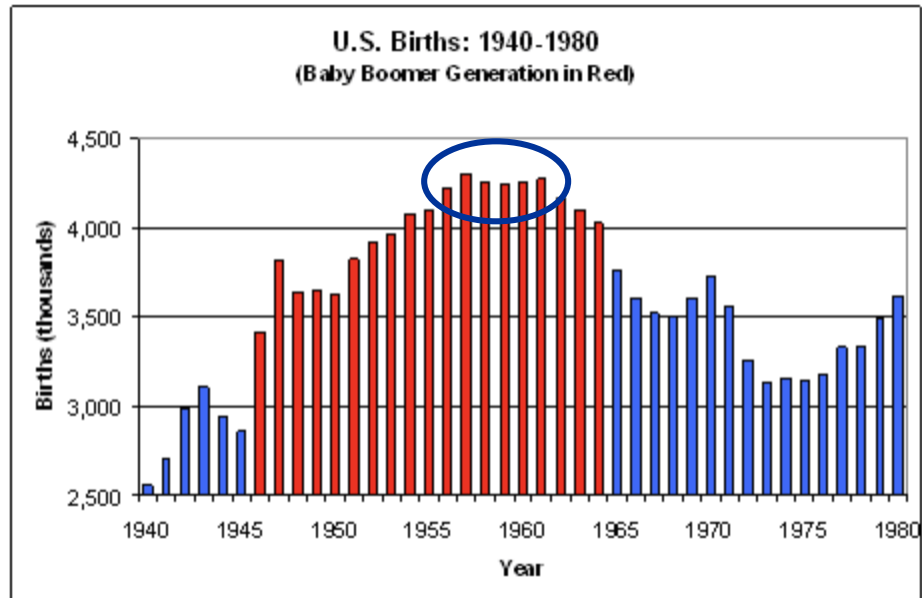


**3 to 4 million Boomer prospects enter the claiming pipeline every year**

**They need help deciding when to claim Social Security and how to manage the rest of their retirement assets**



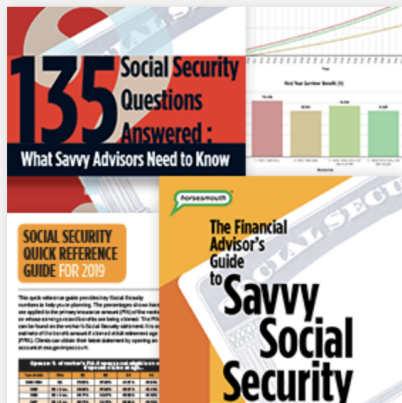
# Boomer spike coming



# Learn Social Security

- How benefits are **calculated**
- How to **maximize** benefits
- Rules for **spousal and survivor** benefits
- Benefits for **divorced** people
- How and when to **switch** from one benefit to another
- How the **earnings test** works in the first year





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## Social Security Quick Reference Guide

No more digging around on the shelves or searching on the Internet for information like:

- Estimated benefits for worker with maximum earnings
- Adjusted for early or delayed claiming
- Estimated PIAs for workers with maximum earnings
- Social Security cost-of-living adjustments (COLAs)
- Medicare Part B premiums
- Maximum wages subject to Social Security tax

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Client Materials



FINRA Review



# Learn Medicare

- When you **can, should, or must** enroll in Medicare
- How Medicare works with **employer plans**
- How **supplemental** insurance works
- Who pays the **IRMAA** and how you can help clients avoid it
- How to help clients **transition** to Medicare at retirement





## Savvy Medicare Planning® for Boomers

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Client Materials



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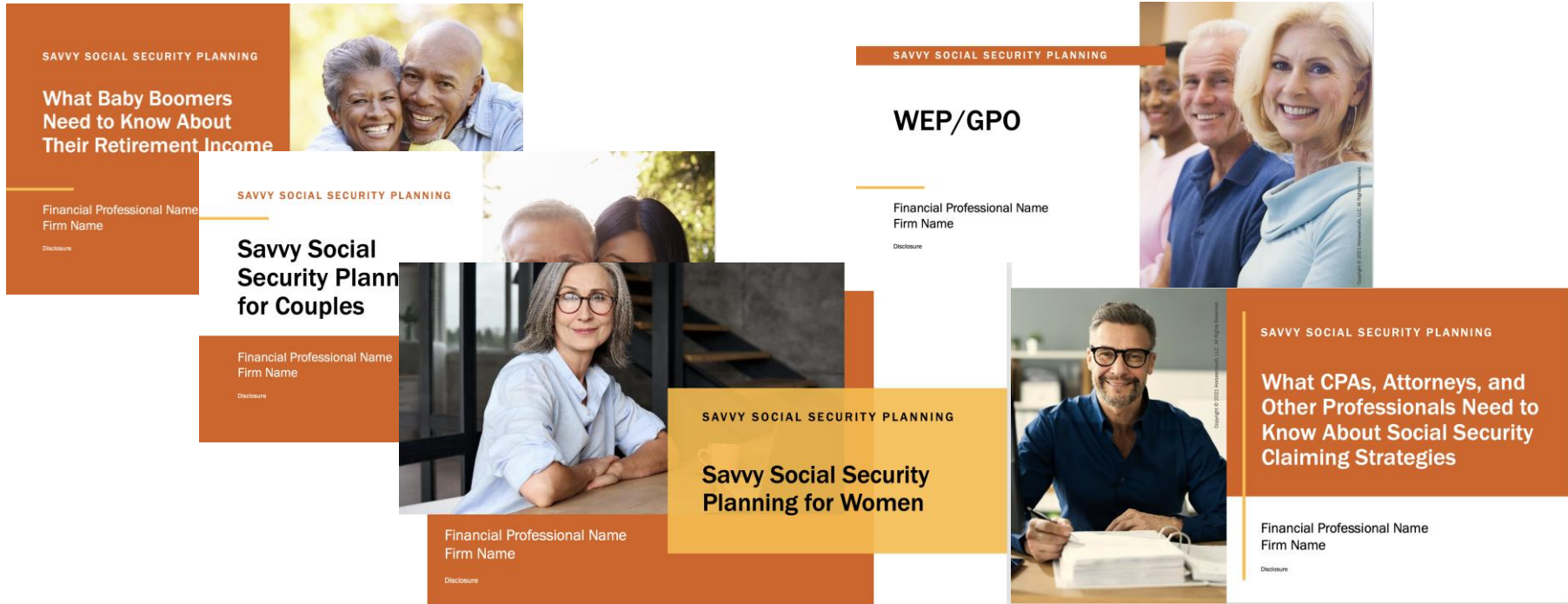


# Teach Social Security and Medicare

- Seminars
- Workshops
- Classes
- Baby boomers (general)
- Couples
- Women
- CPAs



# Updated and Redesigned Social Security presentations



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# Updated and Redesigned Medicare presentations



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# Recommend Social Security strategies

- How to **maximize** benefits
- **When** to claim
- Discuss **other issues**: retirement income planning, insurance, investments



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Spousal Planning Calculator

Carl and Carla Johnson

Suggested Scenarios | Create Your Own Scenario

CLIENTS | Create New Client | Select Saved Client

**Savvy Social Security Planning**

Spousal Planning Calculator

Prepared For: Carl and Carla Johnson

Scenario date: 1/1/2018

Scenario date (SSA % in month): 2.4

Client: Carl | Scenario: Carla

Birth date: 1/1/1950 | Age: 68 | Birth date: 1/1/1950 | Age: 68

Full retirement age (FRA): 66 | FRA: 66

PSY: 5 | PSY: 5

Life expectancy: 85 | Life expectancy: 85

Age 62: \$2,000 | Age 62: \$2,000

Prepared By: John Smith

Scenario name: Carl and Carla Johnson

Advisor notes:

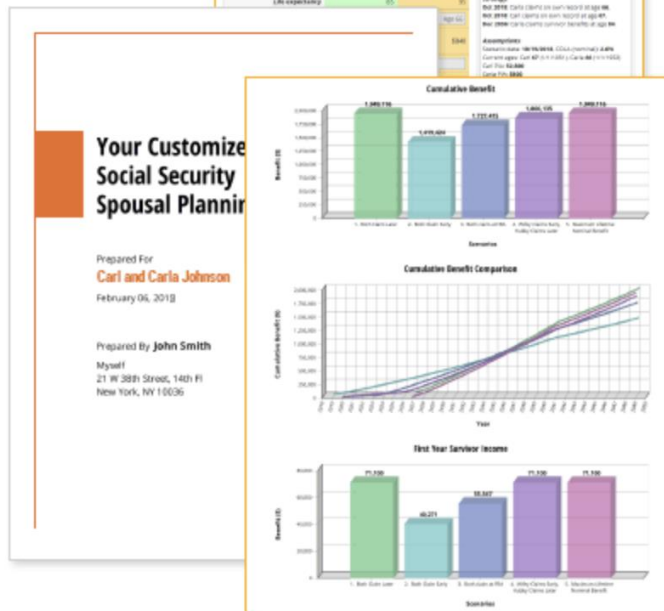
Analysis generated description:

Scenario: Carl and Carla Johnson (SSA % in month) 2.4

Carl and Carla Johnson (SSA % in month) 2.4

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Carl and Carla Johnson (SSA % in month) 2.4

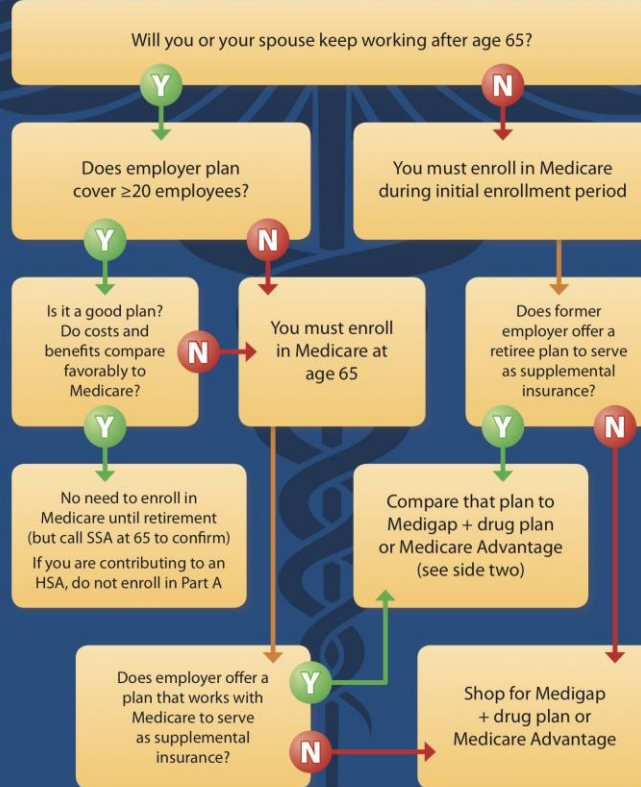


# Recommend Medicare strategies

- **When** to enroll: avoid coverage gaps and late-enrollment penalties
- **Which** plan is best? Original Medicare or Medicare Advantage?
- Estimate **health care costs**, avoid or reduce the IRMAA
- Discuss **long-term care**



# Medicare Enrollment Planning



# Request a Desktop Demo

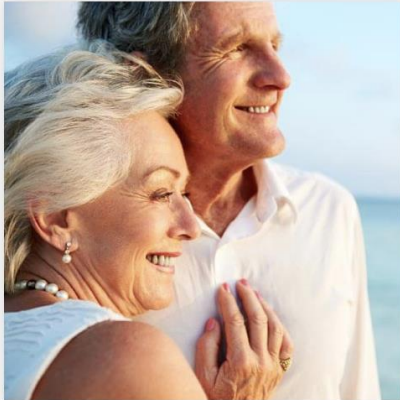


Or Call: (888) 336-6884 Ext. 1

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- SS and Medicare will continue to be critical topics in 2021 and beyond...
- Get up to speed on the growing and complex ways the two biggest retirement programs interact and impact retirees and pre-retirees...

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# Thank you!

