

# LEGAL EASE



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## Social Security updates for 2018

Those who are receiving Social Security benefits, as well as those who are anticipating retiring, look forward to October to hear if they will get a raise next year. The good news is that there will be a two percent cost of living adjustment (COLA) in 2018. This is the third biggest increase since 2009. This means that the average recipient will receive an additional \$27.40 per month. However, the Medicare Part B premium will essentially use up that increase. The rule called the “hold harmless clause” keeps Medicare Part B premiums from rising *faster* than the cost of living increase but permits increases if the COLA increases.

An article in *The Motley Fool* on October 1, 2017 listed expected changes in Social Security. The modest raise of two percent was predicted. The article author, Sean Williams, stated that we can thank the recent hurricanes Harvey and Irma which resulted in, among other issues, a rise in crude and gasoline prices which increased the national inflation rate. Recently released data from the Social Security Administration (SSA) shows that Social Security is vital to keeping seniors out of poverty. SSA data indicates that 62 percent of all elderly recipients get at least half of their monthly income from Social Security and approximately one-third count on 90 percent or more of their monthly income from the program. The Center on Budget and Policy Priorities estimated in a 2016 study that without the guaranteed income from Social Security, the senior poverty rate would be over 40 percent. As of December, 2016, the senior poverty rate was 8.8 percent. Therefore, continuation of the program and any increase are both welcome.

Remember that it is not just the elderly who receive Social Security benefits. A large portion of the population, 10 million or so, qualify for monthly payments from Social Security Disability Insurance (SSDI). For those who are blind, there will be a \$20 increase in the threshold of monthly earnings that are permitted for the individual to remain on SSDI. For those who are disabled other than by blindness, the increase will be \$10 per month. Crossing the stated threshold of earned income will result in a loss of SSDI payments.

“Full retirement age” (FRA) is the age at which you are entitled to receive 100 percent of your benefits. If you claim benefits at any point before you reach your FRA, you will receive a permanent reduction to the monthly pay. In 1983, Congress and President Reagan, as part of a sweeping overhaul to the Social Security program, added a staggered increase to the FRA. For those born in 1956, your FRA is 66 years and four months, up from 66 years and 2 months for anyone born in 1955. Of course, delaying past your FRA increases your benefit for every year delayed. Approximately 60 percent of retirees claim benefits before reaching FRA, however.

Many believe that Social Security is an entitlement program. This is not true, as you need to work to obtain the benefits. To qualify for retired worker benefits, you must earn 40 lifetime work credits. A maximum of four credits can be earned each year, and each credit has an earned income value. For example, a credit can be earned for each \$1,300 in income; \$5,200 in income in a year maximizes the earned work credits. The lifetime work credit amount rises most years due to inflation. In 2017, the amount needed to earn a work credit increased \$40 from 2017. Despite this, working part-time for 10 years should, at a minimum, allow you to qualify for retirement credits.

Social Security beneficiaries can check their online statements in December to determine the exact amount of their increase.