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Strategies to Help Increase Social Security Benefits and the OBBB

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About Ash Ahluwalia

Ash Ahluwalia is a sought-after thought leader, specializing in Social Security planning, wealth management, and retirement income planning. As Head of Social Security Planning at Prosperity Capital Advisors, he brings three decades of experience helping countless clients develop customized claiming strategies that can add significant value to their retirement income.

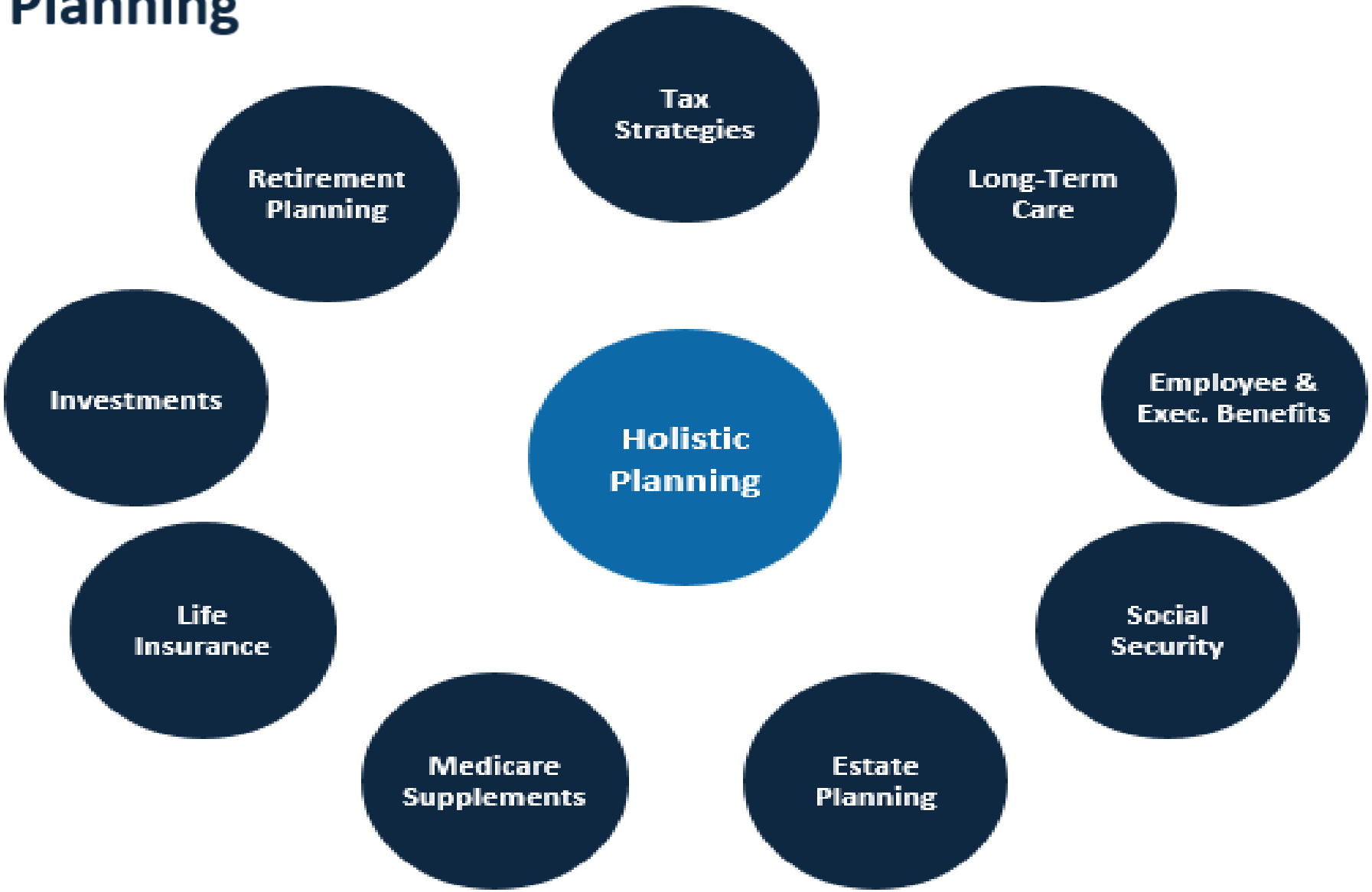


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Holistic Planning



Baby Boomers Want to Know…

- Will Social Security be there for me?
- How much will I receive?
- When should I file?
- How can I maximize my benefits?

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Social Security Offers Lifelong Income

If total benefit is $2,000/month:

Social Security pays a lifelong, inflation-adjusted income stream: it continues for as long as you live and grows with cost-of-living adjustments.

Assumes 2.7% annual cost-of-living adjustments.
This is a hypothetical illustration.

How Social Security is Calculated?

- Highest 35 years of “indexed earnings” are used to calculate your Average Indexed Monthly Earnings (AIME)
- $1,890 per quarter = 1 credit
- You need 40 credits to qualify

Full Retirement Age (FRA)

Year of Birth	Full Retirement Age
1943–54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Source: Social Security Administration SSA.gov

Applying Early? Reduced Benefits

Apply at age	If FRA = 66	If FRA = 67
62	75.0%	70%
63	80.0%	75%
64	86.7%	80%
65	93.3%	86.7%
66	100%	93.3%
67	—	100%

Source: Social Security Administration SSA.gov

Applying after FRA? Increased Benefits

Apply at age	Benefit % of PIA if FRA = 66	Benefit % of PIA if FRA = 67
66	100%	93.3%
67	108%	100%
68	116%	108%
69	124%	116%
70	132%	124%

Source: Social Security Administration SSA.gov

Annual Earnings Test

- $1 withheld for every $2 earned over $24,480 from age 62 until the year you attain FRA
- $1 withheld for every $3 earned over $65,160 in the year you attain FRA

“The Do Over”

- Up to 12 months
- Payback Social Security benefits received
- Only one “do over” allowed

“The Do Over”

- CAN’T “suspend” prior to FRA
- CAN “stop and restart” between FRA and age 70

Spousal Benefits

- Spousal benefits = 50% of the primary worker's Primary Insurance Amount (PIA)

Example:

John's PIA is $2,000. Jane's PIA is $800.

If Jane applies at FRA, her benefit will be $1,000 (50% of John's PIA).

Backdating Applications

- Only allowed after “full retirement age” (FRA)
- Limited to the lesser of 6 months or FRA

Maximum Strategy vs. “The Sweet Spot”

Example:

- John, 65, PIA = $3,600, working
- Mary, 65, PIA = $3,300, retired

Maximum Strategy:

Both defer to age 70 to maximize individual benefits.

Q: Is the Maximum Strategy also “The Sweet Spot”?

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Maximum Strategy vs. “The Sweet Spot”

Maximum Strategy

Both defer to 70

Lifetime Benefit = $2,320,000

“The Sweet Spot”

Mary files at 67;

John files at 68 and 6 mo.

Lifetime Benefit = $2,230,000

($90K less)

Maximum Strategy vs. “The Sweet Spot”

- Maximum Strategy generates $90,000 of additional lifetime benefits — BUT…
- “The Sweet Spot” pays earlier: Mary at 67, John at 68 and 6 mo.
- That’s $200,000 received before the Maximum Strategy even starts paying at age 70

What is the NPV of that $90,000 over 25 years?

Divorced Spouse Benefits

Divorce Rate:

- First marriage: _____?
- Second marriage: _____?
- Third marriage: _____?

What does government research on divorce show?

Divorced Spouse Benefits

- Married 10 years or more
- Currently unmarried
- You and your ex-spouse are both at least age 62
- Divorced more than two years

Divorced Spouse Benefits

- A divorcee, age 67, still unmarried, whose PIA is less than 50% of her ex-spouse's PIA
- A doctor, age 67, divorced and still unmarried, whose PIA is greater than 50% of her ex-spouse's PIA
- A divorced woman who was married for 9 years and 9 months

Child & Child-In-Care Benefits

- Ex-husband, age 62: benefit at 66 = $3,000, at 62 = $2,250
- Ex-wife, 35, no earnings
- Marriage lasted 6 years
- Child, age 5

Q1: Benefits if he files at 62?

Q2: Benefits if he dies at 62?

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Survivor Benefits

- Joe's benefit is $2,000
- Julie's benefit is $1,200
- Joe dies
- Julie collects the $2,000 survivor benefit only

Survivor Benefits

- Joe, age 63, widower
- Laurie, his partner, age 59, widow
- They decide to get married…

Social Security Fairness Act 2025

- President Biden, with bi-partisan support, signed the Social Security Fairness Act on 1/5/2025
- Eliminated the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)
- Benefits are retroactive to 1/1/2024
- Over 3.2 million Americans will see increases in their Social Security benefits

Social Security Benefits and the One Big Beautiful Bill (OBBB)

- Did the OBBB increase or decrease SS benefits?
- Did the OBBB make SS tax free?
- What is “Provisional Income”?
- What is the “Senior Deduction” in the OBBB?

What is Provisional Income?

Provisional income is used to determine how much of your Social Security benefits are taxable.

Provisional Income = AGI + ½ SS benefits + muni bond interest

Provisional Income (MFJ)	% of SS Income Taxable
Below $32K	0%
$32K – $44K	Up to 50%
Above $44K	Up to 85%

Taxation of Social Security Benefits

Filing Status	Provisional Income*	% of SS Taxable
Married Filing Jointly	Under $32,000	0%
	$32,000 – $44,000	Up to 50%
	Over $44,000	Up to 85%
Single / HoH / QW / MFS living apart	Under $25,000	0%
	$25,000 – $34,000	Up to 50%
	Over $34,000	Up to 85%
MFS living with spouse	Over $0	85%

**Provisional income = AGI + one-half of SS benefit + tax-exempt interest*

Source: Social Security POMS and The Horsesmouth

The “Senior Deduction” in the OBBB

- If you’re 65 or older, you may be eligible for up to a $6K tax deduction
- Applies to each spouse 65 and older (up to $12K per married couple)
- Expires in 4 years (2025–2028)

The Senior Deduction: Phase-Out by Income

Married Filing Jointly (MFJ)

MAGI	Tax Deduction
Under $150K	$6,000
$150K – $250K	Phases out
Above $250K	$0

Single

MAGI	Tax Deduction
Under $75K	$6,000
$75K – $175K	Phases out
Above $175K	$0

The Senior Deduction

- You do not need to be collecting SS to receive the Senior Deduction
- It is not a deduction against Social Security taxes
- It is a deduction against any taxable income

Other Income Definitions

Adjusted Gross Income (AGI):

- W-2 or 1099 Income
- + taxable portion of SS Benefits
- – IRA or 401(k) deductions

Modified Adjusted Gross Income (MAGI):

- AGI + Muni Bond Interest

Other Income Definitions

Taxable Income (if couple age 65+):

- AGI
- – Standard Deduction ($32.2K)
- – Additional Std. Deduction ($3.3K)
- – Senior Deduction ($12K)

Note: the Senior Deduction is a "below the line" deduction.

Example Calculation (couple age 65)

Line Item	Amount
W-2 Income	$50,000
+ Taxable Portion of SS	$40,000
– IRA Contributions	($17,000)
AGI	**$73,000**
– Standard Deduction	($32,200)
– Additional Age-65 Std. Deduction	($3,300)
– Senior Deduction	($12,000)
Taxable Income	**$25,500**

Could the Senior Deduction Reduce Taxes on Social Security Benefits?

- The Senior Deduction does not change how SS is taxed
- The Senior Deduction does not decrease AGI and therefore does not reduce Provisional Income
- The Senior Deduction is in addition to the Standard Deduction
- You do not have to itemize deductions to qualify for the Senior Deduction

Estate Planning: Social Security & Life Insurance

- Husband, 66, PIA = $2,600
- Wife, 66, PIA = $1,600
- Net worth = $80 million
- 3 children, 5 grandchildren
- Social Security funds a $2.5 million life insurance policy

How Ash Can Be a Resource to You & Your Firm:

- **Complimentary 15-Minute Calls**
- **Customized fee-based Social Security and Retirement Planning**
- **Educational Presentations (in-person or virtual)**
- **CPE and CLE credits may be available**

Customized Social Security and Retirement Income Plan?

Customized Social Security Plan Fee: $3,500

Courtesy Fee:

$2,500 (married)

$1,500 (single)

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Referrals / Speaking Engagements

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Appointments

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