



“From Where I Sit ...”

What About Social Security?

A few years ago retired Bishop Dotcy I. Isom, Jr. gave me a Christmas gift of a subscription to a 16-page monthly periodical entitled MoneyAdvisor by Consumer Reports. He later told me he thought it was something he felt might benefit me in my work with Personnel Services. Needless to say, in spite of all of the material I am required to read, I have continued to subscribe to this publication and each month I eagerly look forward to its delivery and what new ideas it will share.

In the June 2012 issue, I found a wonderfully enlightening article on Social Security entitled, “Boost your benefits – Timing is everything when it comes to filing for Social Security.” I found this article especially helpful because, like many busy people nearing the age of “normal” retirement, I had not taken the time to identify the best options available to me that would allow me to maximize my potential benefits from Social Security. I won’t try to repeat everything in the article, just some points I believe are worth highlighting.

Social Security uses terms that are different from the terms that are common to us but the meaning of their terms is considerably more important. For example, we use the term “normal retirement age” but Social Security uses the term “full retirement age.” For persons born before 1943, full retirement age is 65. For persons, like me, born between 1943 and 1954, full retirement age is 66. For person born after 1954 and before 1960, two additional months are added to the minimum age requirement of 66 for each additional year after 1954 to qualify for full retirement. And finally, for those persons born in 1960 or later, the full retirement age is [presently] 67. Be cautioned, these age bracketed determinations do not apply to Medicare which is a different program and has different requirements.

The Social Security Administration calculates your monthly benefit based on an average wage index of your earnings over a specified period. To be eligible to receive an individual benefit one must have worked at least 10 years or 40 quarters. The index is computed by averaging your income from your 35 highest-earning years not including the two years immediately prior to eligibility. If you do not have 35 years of earnings, then the index is applied to the remaining years of earnings divided by 35.

How does the Social Security Administration gather the information about our earnings? If you worked as a typical lay person in Corporate America, you received a W-2 form that included the boxed titled Social Security Wages (i.e. F.I.C.A.) and Social Security Taxes Withheld (i.e. F.I.C.A.). If you were self-employed, the Social Security Administration has gathered your earnings from either the 1099-Misc form sent in for you or your annual tax return which would include a Schedule SE (for Self Employment).



It is a little more confusing for clergy who are paid for their ministerial service as employees (which is the normal case for CME ministers). According to IRS Publication 1828 (p. 19), the income or earnings a minister receives “in performing services in the exercise of his

ministry is subject to SECA [Self Employment Compensation Act] tax, unless the minister has timely applied for and received an exemption from SECA tax.” In clearer language this means that churches are expected to pay ministers who are employees with a W-2 form reporting their gross taxable wages for federal withholding purposes but not for F.I.C.A. Based on the above reference for clergy who serve as employees to correctly participate in the Social Security program, clergy should participate in SECA and not F.I.C.A. Additional requirements are also expected to be met by these persons and I recommend consulting IRS Publication 1828 or consultation with a tax professional.

The last significant point I will share (but certainly not the last point of this MoneyAdvisor article) is the fact that it matters when you file for benefits in the Social Security program. You can file as early as age 62 (considered early retirement) however, filing at this age will permanently reduce your monthly benefit, perhaps as much as 25%. On the other hand, although you may be eligible to file with full benefits at 65 or 66, waiting later to file, such as age 70, could add as much as 7.5% “per year!” This could mean that a person in my age group (eligible to file at age 66) could increase their monthly benefit by as much as 30%. Factors to consider in such a decision will probably include financial circumstances, health conditions, and family longevity.

Finally the article suggests two websites for those who wish to do additional research: for individuals AARP’s free Social Security Benefits Calculator (under Tools at www.aarp.org/work); for couples www.SocialSecurityChoices.com provides free basic reports sent to an email address and more sophisticated reports for approximately \$10; and www.ssa.gov/planners/calculators.htm to secure a free current estimate of your Social Security benefits.

There is a wealth of information available for each of us to glean about our future Social Security benefits and the many different options available to us to maximize the amount of our monthly payments. If you have not looked into this matter for your own information, I encourage you to do so at your earliest opportunity. Yes, you do receive a retirement benefit from the CME Church if you have enrolled and your church has paid into the Retirement Plan and Trust for you; but if you are also eligible to receive Social Security, why not maximize your potential benefits. After all you have worked for it and you certainly should receive it. Or at least that is the way it looks to me ...

“From Where I Sit”

Tyrone T. Davis, D.Min, is the General Secretary of the Board of Personnel Services which sponsors the CME Retirement Plan & Trust

(Copies of earlier articles may be found on the Personnel Services Webpage of the CME Website at www.thecmechurch.org)