

Retirement Daily

Social Security/Medicare



What's New for Social Security in 2020

By Robert Powell | Jan 9, 2020 7:44 AM EST

Each year, those saving for and living in retirement should check up on their Social Security accounts and be aware of what changes are coming in the new year.

This year, a set of scheduled annual changes are set to go into effect, following on the heels of the Securing Every Community for Retirement Enhancement (SECURE) Act that was passed by Congress and signed into law in late December.

Read more about that [from Powell in "New Retirement Law Makes Big Changes to How You Save: Long-awaited SECURE Act contains dozens of provisions affecting 401\(k\)s, annuities, IRAs and taxes"](#)

For Social Security, "the year 2020 will see the same set of annual changes which are built into the program and automatically take effect in January of each year, just like clockwork," said Kurt Czarnowski, a principal with Czarnowski Consulting.

With your free, personal my Social Security account, you can receive personalized estimates of future benefits based on your real earnings, see your latest Statement, and review your earnings history. [If you don't have a My Social Security account, sign up here.](#)

Here's what you need to know:

Cost-of-Living Adjustment (COLA)

Social Security and Supplemental Security Income (SSI) benefits for nearly 69 million Americans will increase by 1.6% in 2020. According to the Social Security Administration, the 1.6% cost-of-living adjustment, or COLA, will begin with benefits payable to more than 63 million Social Security beneficiaries in January 2020.

For the average retired worker, the increase is about \$24 a month, according to Donna Clements, manager of Mercer's Social Security Information Services. The maximum Social Security benefit a worker retiring at age full retirement age (FRA) in 2020 will receive is \$3,011 per month, up from \$2,861.

Estimated average monthly Social Security benefits payable in January 2020

	Before 1.6% COLA	After 1.6%
All retired workers	\$1,479	\$1,503
Aged couple, both receiving benefits	\$2,491	\$2,531
Widowed mother and two children	\$2,888	\$2,934
Aged widow(er) alone	\$1,400	\$1,422
Disabled worker, spouse and one or more children	\$2,141	\$2,176
All disabled workers	\$1,238	\$1,258

Increased payments to more than 8 million SSI beneficiaries began on Dec. 31, 2019. (Note: some people receive both Social Security and SSI benefits)

[Read more about the Social Security COLA for 2020.](#)

Earnings Subject to Social Security Tax

Tax rate	2019	2020
Employee	7.65%	7.65%
Self-employed	15.3%	15.3%

The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount. The maximum amount of earnings subject to the Social Security tax (the taxable maximum) will increase to \$137,700, up from \$132,900 in 2019. The Social Security Chief Actuary's Office estimates approximately 11.8 million people are affected by the taxable maximum increase to \$137,700 for 2020.

The Medicare portion (HI) is 1.45% on all earnings.

Also, as of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. The tax rates shown above do not include the 0.9%.

There are about 176 million working people paying this combined 7.65% payroll tax, matched by their employers, to support these programs, according to Clements.

Quarter of Coverage

Those not yet collecting benefits will be required to earn \$1,410 to accrue one Social Security credit, otherwise known as a "quarter of coverage" or QC, toward the 40 that are needed to collect retirement benefits, says Czarnowski. That's up from \$1,360 in 2019.

According to the Social Security Administration, "quarter of coverage" is a legal term, but you may also see the term "Social Security credit" (or just "credit") used elsewhere. [A QC is the basic unit for determining whether a worker is insured under the Social Security program.](#)

Retirement Earnings Test Exempt Amounts

The earnings limit for workers who are younger than full retirement age, or FRA, (age 66 for people born in 1943 through 1954) will increase to \$18,240. Social Security will deduct \$1 from benefits for each \$2 earned over \$18,240. Also, the earnings limit for people turning 66 in 2020 will increase to \$48,600. Social Security will deduct \$1 from benefits for each \$3 earned over \$48,600 until the month the worker turns age 66.

There is no limit on earnings for workers who are FRA or older for the entire year.

FRA Is Changing

Full retirement age is the age at which a person may first become entitled to full, or unreduced, retirement benefits. But your FRA depends on when you were born. For those born in 1960 or later it is 67. For those born 1943-1954 it's 66. Use the table below to determine your FRA.

Age To Receive Full Social Security Benefits

("full retirement age" or "normal retirement age.")

Year of Birth *	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	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

When should you retire?

The answer will affect the Social Security benefit payable for life. There are three typical scenarios. Below is from a blog post written by Clements.

Retire at FRA: Workers can begin collecting 100% of their benefit at FRA, age 66 in 2020. This age is gradually increasing and will be age 67 for people born in 1960 and later. If you reach FRA in 2020, you can earn \$48,600 in the period before the month that you attain FRA with no reduction in benefits. If earnings exceed this, then \$1 in benefits is withheld for every \$3 earned above \$48,600. At FRA and after, there is no reduction in benefits based on current earnings. This means you can continue to work and collect your salary and your full Social Security benefit.

Retire early: Workers can retire as early as age 62 with permanently reduced benefits. The benefit is reduced because they begin sooner so there are more monthly benefit payments. The

reduction applies for each month of retirement before your full retirement age. Also if you continue to work and are under full retirement age (FRA), the benefit could be further reduced or eliminated entirely by the earnings limitation. For those under FRA throughout 2020, you can earn \$18,240. If earnings exceed this, then \$1 of benefits is withheld for every \$2 earned above \$18,240. Depending on the total earnings, the Social Security benefit could be reduced to zero.

Retire later: Workers can wait to retire until age 70 to earn delayed retirement credits (DRCs). For each month after your FRA, DRCs are earned and will permanently increase the Social Security benefit. The DRC is 8% for each full year (prorated for months) up to age 70. The DRC increases the benefit for the retired worker but not the spouse. However, the DRCs are paid to the surviving spouse in the event of the worker's death. Waiting as long as possible to start your benefit is the best option if you are in good health but there is no benefit to waiting beyond age 70 to start collecting benefits since the DRCs stop at this age.

Got questions about money, retirement and/or investments?

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