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**ASSIGNMENT #1 – Foundation Segment**

On the last page of this assignment is an ANSWER SHEET –

Please answer the 10 questions below and return the completed answer sheet with Maria’s W-2.

**GET YOUR SOCIAL SECURITY STATEMENT** - Anyone who has worked in the United States, received a W-2, or is a business owner and filed a tax return should have a Social Security account.

It is important to access your account online and verify the information, specifically your annual earnings, that is recorded correctly, as that will affect your future benefits. Note that your annual earnings will be reported as a total if you work multiple jobs and get various W-2 or 1099 forms.

So, to get started, contact the social security administration: <https://www.ssa.gov/>and get your Social Security statement.

**SOCIAL SECURITY AND MEDICARE TAXES** - AS **A W-2 EMPLOYEE**

|  |  |
| --- | --- |
| 1. What percentage does an employee pay for Social Security tax? | \_\_\_\_\_\_ % |
| 1. What percentage does an employee pay for Medicare tax? | \_\_\_\_\_\_\_% |
| 1. What percentage does an independent contractor who runs their own business (thus is self-employed) pay for Social Security and Medicare? | \_\_\_\_\_\_\_ % |
| 1. In 2024 - what is the maximum earnings on which Social Security tax will be levied? | $\_\_\_\_\_\_\_\_\_\_ (google it) |
| 1. EXTRA CREDIT if you earned the maximum salary on which Social Security must be paid – how much would you have paid in Social Security Tax? | \_\_\_\_\_\_ (get out a calculator) |

**DETERMINE YOUR RETIREMENT AGE** Anyone with proper work credits can start collecting social security payments when they reach 62. However, every year, if a person waits past age 62, they will get about 8% more in income once they start collecting. (The increase in benefits stops once a person reaches 70, so there is NO benefit to postponing collecting until you reach age 70.)

**EXAMPLE:**

* If at age 62, your social security benefits were $1,000 monthly,
* then if you waited to age 63, you would get $ 1080 monthly
* or if you waited until age 64, you would get $ 1166 monthly

However, the Social Security Administration uses the term “full retirement age”; that is when they **expect** you to start collecting. For years, everyone's full retirement age was 65. In 1983, recognizing people were living longer, they changed that and made it a later date for many. People. Everyone now has a “full retirement age” based on their birthday (month and year). Even though you can still collect at age 62, knowing what the government considers your full retirement age is important. It can be found on this webpage: <https://www.ssa.gov/benefits/retirement/planner/ageincrease.html>

|  |  |
| --- | --- |
| 1. What is YOUR full retirement age? | \_\_\_\_\_\_ years. \_\_\_\_\_ months |
| 1. **EXTRA CREDIT –** Read exercise 8.25a, (attached) and answer the question   How long does Maria have to live, and to make it worthwhile to delay collecting social security from age 67 to 70?  *The answer sheet will be sent to anyone who tries.* | \_\_\_\_\_\_ Maria’s age at breakeven |

T**his will be a challenge because we only got through 85% of the class material – but I want you to give it your best shot.** Read 1.11a EXERCISE – Prepare Maria's W-2.

|  |  |
| --- | --- |
| 1. What was Maria’s Gross annual Pay? | $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| 1. What was Maria’s Net annual Pay? | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| 1. How much was put into Maria's 401K plan that year? (by both her and her employer) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

NOW – see if you can prepare Maria’s W-2,

1. Read Exercise 1.11a – Enter Maria’s income and withholding amounts in the first column.
2. Determine if the amount calculated goes on her W-2; if yes, enter the BOX number where the amount will be listed.
3. **Transfer the amounts to the W-2 form (handout 1.05). Make it as complete as possible.** DO THIS IN WRITING – not in your head. –

A few things to know about preparing a W-2

* + Maria’s Box 1-Federal taxable wages, Box 16-NY State taxable wages, and Box 18 NY City taxable wages – are the same because these three government entities have the same rules regarding what deductions they allow.
  + The Box 1, Box 16, and Box 18 taxable wages equal Maria’s gross earnings and LESS her contribution to her Health Insurance Premium and her TRADITIONAL 401k retirement plan.
  + Social Security and Medicare do NOT have the same rules for what deductions are allowed.
* Maria’s Box 3 Social Security taxable income and Box 5 Medicare taxable income are calculated by taking her Gross Income LESS her contribution to her Health Insurance Premium. (Social Security and Medicare do NOT allow her to deduct her contribution to her Traditional 401K.
* This is why her Box 3 and Box 5 wages will be HIGHER than her Box 1, Box 16 or Box 18 taxable wages.

Think of it as a puzzle… and have fun.

**HANDOUTS neede for this assignment**

1.05 Form W-2

1.11a Exercises – prepare Maria’s W-2

8.25a Exercise – When should Maria take her social security

**HANDOUTS to read**

1.21 Forbes Article – How to Read and Understand Your Form W-2

1.25 Questions to ask a Prospective Employer (aka – items to be negotiated when hired)

1.28 Questions to ask a Prospective Employer about your Retirement Plan

ASSIGNMENT #1 – ANSWER SHEET

FROM: (Name) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (Date). \_\_\_\_\_\_\_\_\_\_\_\_\_\_

FILL IN Questions 1-10 AND attach Maria’s W-2. Email to: [Diane.Drey@scorevolunteer.org](mailto:Diane.Drey@scorevolunteer.org)

|  |  |
| --- | --- |
| 1. What percentage does an employee pay for Social Security tax? | \_\_\_\_\_\_ % |
| 1. What percentage does an employee pay for Medicare tax? | \_\_\_\_\_\_\_% |
| 1. What percentage does an independent contractor who runs their own business (thus is self-employed) pay for Social Security and Medicare? | \_\_\_\_\_\_\_ % |
| 1. In 2024 - what is the maximum earnings on which Social Security tax will be levied? | $\_\_\_\_\_\_\_\_\_\_ (google it) |
| 1. EXTRA CREDIT if you earned the maximum salary on which Social Security must be paid – how much would you have paid in Social Security Tax? | \_\_\_\_\_\_ (get out a calculator) |
| 1. What is YOUR full retirement age? | \_\_\_\_\_\_ years. \_\_\_\_\_ months |
| 1. **EXTRA CREDIT –** this is HARD – read exercise 8.25a,   How long does Maria have to live, and to make it worthwhile to delay collecting social security from age 67 to 70? | \_\_\_\_\_\_ Maria’s age at breakeven |
| 1. What was Maria’s Gross annual Pay? | $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| 1. What was Maria’s Net annual pay? | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| 1. How much was put into Maria's 401K plan that year? (by both her and her employer) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

ATTACH MARIA’S W-2