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1. **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 and get an annual statement. (See handout 8.04 for an example)

The assignment is to get your Social Security statement.

To access, contact the Social Security Administration: <https://www.ssa.gov/>. For security reasons, it may take some time to set up your online account. However, please get started.

It is essential to verify the accuracy of your earnings information annually because it will impact your future benefits. Please note that if you work multiple jobs and receive various W-2 or 1099 forms, your annual earnings will be reported as a total amount.

1. **DETERMINE YOUR FULL RETIREMENT AGE** (social security lingo) Anyone with the required work credits can begin collecting Social Security payments when they turn 62.

However, for each year a person waits past age 62, they will receive approximately 8% more in Social Security income when they start collecting. (The increase in benefits ceases once a person reaches 70, so there is NO advantage to delaying collection once you turn 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 often discusses “full retirement age,” which is the age when they **expect** you to start collecting.

For years, everyone's full retirement age was 65. In 1983, recognizing that people were living longer, for individuals born in 1943 or later their “full retirement age” was increased.

The assignment is to find out your “full retirement age” based on your birthday (month and year). It can be found on this webpage: <https://www.ssa.gov/benefits/retirement/planner/ageincrease.html>

1. **EXTRA CREDIT –** Complete Exercise 8.25a, which is CHALLENGING, and enter your answer on the worksheet below.
2. Complete Exercise 1.11a and then prepare Maria’s W-2 as though you were her employer on blank W-2 form handout 1.13

A few things to know about preparing a W-2 which may not have been covered in class

* **Box 1 - Federal taxable income**
* **Box 16 - NY State taxable income**
* **Box 18 - NY City taxable income**

Equal Maria’s gross earnings minus her Health Insurance Premium and TRADITIONAL 401 (k) retirement plan contribution. The three boxes will report the same wages as these three government entities have the same rules regarding what deductions are allowed.

* + **Box 3 Social Security taxable income**
  + **Box 5** **Medicare taxable income**

Social Security income and Medicare tax equal Maria’s gross earnings minus ONLY her Health Insurance Premium.

Social Security and Medicare do not allow her to deduct her contribution to her Traditional 401 (k). This is why her Box 3 and Box 5 wages will be HIGHER than her Box 1, Box 16 or Box 18 taxable income.

1. Please answer the questions on the attached worksheet and submit it with Maria’s W-2.
2. Supplemental reading

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

7.01 Introduction to Retirement Plan

7.02 Comparison of a Traditional vs Roth plan based on tax rates

**HANDOUTS needed 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

WORKSHEET

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 is your full retirement age |  |
| 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 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 2025 - 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 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) | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

DON’T FORGET TO ATTACH MARIA’S W-2