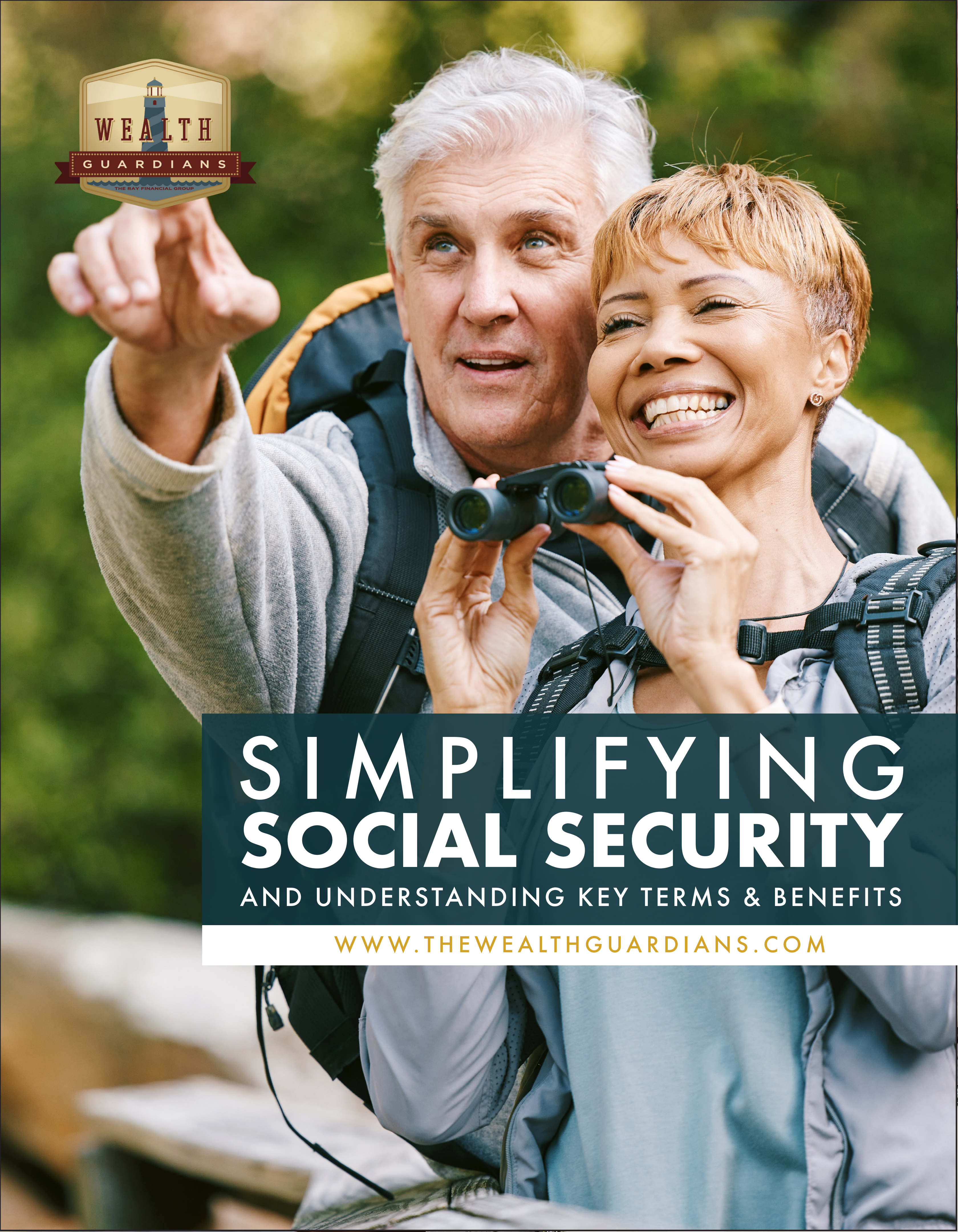

WEALTH GUARDIANS
THE RAY FINANCIAL GROUP

SIMPLIFYING SOCIAL SECURITY

AND UNDERSTANDING KEY TERMS & BENEFITS

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KEY TERMS

Eligible To be eligible for benefits, a worker must be fully insured which means they have earned 40 credits (or quarters of coverage) and have attained age 62. 1 credit = $1,810 of earnings for a max of 4 credits per calendar year ($7,240).

Entitled To be entitled to benefits, a worker must be eligible (ie. be fully insured and have attained age 62) and have filed a claim or filed and suspended a claim for benefits.

Types of Benefits

Retirement Benefit amount based on your own work record.

Spousal Benefit amount based on a spouse's retirement benefit. (ie. not your own work record).

Divorced Spousal Benefit amount based on ex-spouse's retirement benefit. A divorced spouse can get benefits based on their ex-spouse's Social Security record if the marriage lasted at least 10 years. The divorced spouse must be 62 or older and unmarried.

Survivor/Widowed Benefit Benefit amount based on your deceased spouse's retirement benefit. A widow/widower is eligible at age 60 or older, 50 or older if disabled, or any age if caring for a child under age 16 or disabled before age 22. Widow/widower may be eligible for benefit based on deceased ex-spouse's record.

Full Retirement Age (FRA) Full Retirement Age is the age at which a person may first become entitled to full or unreduced retirement benefits. For those with a date of birth between 1943-1954 the FRA is 66 for retirement, spousal and survivor/widower's benefits.

Early Retirement You can retire at any time between age 62 and full retirement age. However, if you start benefits early (ie. prior to FRA), your benefits are reduced a fraction of a percent for each month before your full retirement age.

Delayed Retirement Credit (DRC) Social Security benefits are increased by a certain percentage (depending on date of birth) if a person delays taking retirement benefits beyond full retirement age. The benefit increase no longer applies after age 70, even if the person continues to delay taking benefits. The DRC is currently 8% of the PIA per year, up to age 70.

Primary Insurance Amount (PIA) The "primary insurance amount" (PIA) is the benefit amount a person would receive if he/she elects to begin receiving benefits at his/her Full Retirement Age. At this age, the benefit is neither reduced for early retirement nor increased for delayed retirement credit.

PIA is a complex calculation derived from a worker's lifetime earnings record (usually the highest 35 years of earnings). The Maximum PIA for an individual at FRA in 2025 is $4,018. This maximum amount can increase annually.

Cost of Living Adjustment (COLA) This is an annual increase in benefits, effective for December, reflecting the increase, if any, in the cost of living. It is applicable only after a beneficiary becomes eligible for benefits. In general, the benefit increase equals the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI W) measured from the third quarter of the previous year to the third quarter of the current year. If there is no increase in the CPI-W, there is no cost-of-living benefit increase.

File and Suspend Application Effective April 30, 2016 the SSA will no longer permit suspension of retroactive benefits in situations where you apply for benefits and they have not made a determination regarding your entitlement.

File Restricted Application If you were born on or before January 1, 1954, are currently married, or are divorced and eligible for a benefit on an ex-spouse's record, once you reach full retirement age (assuming you have NOT yet claimed your benefits) you can use a restricted application to claim a spousal benefit, while letting your own benefit continue to grow. You would then switch to your own higher benefit amount when you reach age 70.

If you were born on or after January 2, 1954 a restricted application may not be used for the purpose of claiming a spousal or ex-spousal benefit - however widows and widowers may continue to use a restricted application at any claiming age.

Taxation of Benefits Social Security benefits may be subject to federal income taxes in some cases. (In the State of Ohio benefits are not subject to income tax.)

- Up to 50% of benefits may be taxable if 'provisional income' is greater than $25,000 for single taxpayers and $32,000 for married filing jointly.
- Up to 85% of benefits may be taxable if 'provisional income' is greater than the adjusted base income amount of $34,000 for single taxpayers and $44,000 for married filing jointly.
- Provisional Income = adjusted gross income (before Social Security or Railroad Retirement benefits are considered) plus tax-exempt interest income plus ½ of Social Security or RR benefits.

KEY FACTORS AFFECTING BENEFITS

Working and Collecting Benefits Benefits can be withheld if a person is under FRA, collecting benefits and has wages (ie. Earned income) above the specified yearly limit as follows:

- In any full year under FRA Social Security will withhold $1 in benefits for every $2 of earnings over the limit of $23,400 (2025).
- In the year FRA is reached Social Security will withhold $1 of benefits for every $3 of earnings over the limit of $62,160 (2025).
- Once FRA is reached there is no loss of benefits regardless of income.

Windfall Elimination Provision (WEP) If you work for a federal, state or local government agency, a nonprofit organization or in another country, you may be eligible for a pension based on earnings not covered by Social Security. A pension based on earnings not covered by Social Security can affect the amount of your Social Security benefit. We do not know whether you are eligible for such a pension, so the benefit estimates you have received may not have been adjusted for such a possibility.

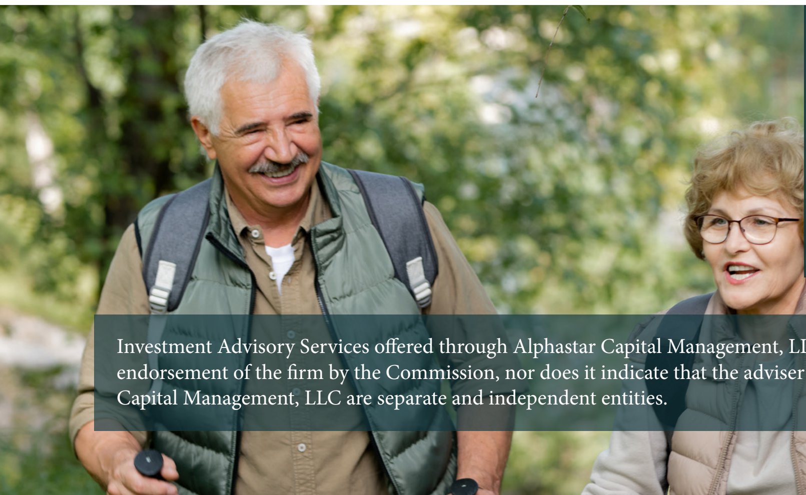
The reduction amount is a calculation based on several factors including the individual's PIA and the number of years of "substantial earnings", if any, subject to Social Security taxes.

Government Pension Offset (GPO) The GPO applies to spousal and survivor/widow(er) Social Security benefits. The GPO will reduce the amount of the benefit by two-thirds of the amount of your government pension. For example, if you receive a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your spouse's, widow's or widower's Social Security benefits. If you are eligible for a $500 spouse's benefit, you will receive $100 per month from Social Security ($500 - $400 = $100). Some individuals are exempt from the GPO under specific conditions.

Social Security Fairness Act (signed into law January 5, 2025): In December 2024, Congress repealed the Windfall Elimination Provision (WEP), and the Government Pension Offset (GPO). Because of this new law, those still working who haven't started any Social Security benefits will receive their full benefits once they retire and will no longer have to deal with the reduction of those benefits because of WEP. In addition, those eligible for spousal and survivor benefits from their spouse will receive those benefits without any reduction from GPO.

Due to the way this law was written, those currently receiving their own Social Security benefits at a reduced amount because of WEP will get retroactive payments back to January 2024. So, they'll receive a lump sum deposit to cover the amount they should have received for 2024. Moving forward, they'll also start receiving the Social Security benefit they should have been receiving all along without the WEP reduction.

Those who have lost a spouse and haven't been receiving survivor benefits, or those who have been getting a reduced benefit because of GPO, will start receiving the full amount. Those who would have been eligible in 2024 will also get a lump sum retroactive payment back to January 2024.



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