

MONEY MANAGEMENT

Get The Facts About Your Social Security Benefits

Although most workers contribute a part of their earnings into the Social Security system, many have misperceptions about their eligibility to receive certain benefits. The Nevada Society of CPAs provides the following overview of Social Security benefits along with information on how the new tax law effects those benefits.

HOW TO EARN YOUR SOCIAL SECURITY BENEFITS

During your years of employment, you and your employer pay a fixed percentage of your salary into the Social Security system. If you are self-employed, a fixed percentage of your net self-employment income also goes toward Social Security.

When you retire, Social Security sends you monthly retirement income as long as you are "fully insured." Generally speaking, you are "fully insured" if you have worked 40 calendar quarters (about 10 years) in a job covered by Social Security. Once you begin to collect benefits, your spouse can also receive benefits based on your earnings record, even if he or she never worked in a job covered by Social Security.

The amount of your Social Security benefit is based on your date of birth, the type of benefit for which you are applying, and your average lifetime earnings. Benefit amounts are adjusted annually to reflect the increased cost of living.

The earliest you can retire and collect Social Security benefits is age 62. However, when you retire at age 62, you collect only 80 percent of the full benefit you would be entitled to receive at normal retirement age.

The 20-percent reduction compensates for the fact that you may be receiving benefits over a longer period of time. Right now, workers are entitled to receive full retirement benefits at age 65. But beginning in the year 2000, the age at which you can retire with full benefits will be raised from age 65 to age 67.

What happens if, after you retire, you decide to take a part-time job? In 1994, Social Security recipients between the ages of 65 and 69 may earn up to \$11,160 without a reduction in benefits.

For every \$3 over the limit, a dollar in benefits is lost. The earnings limitation is \$8,040 for those between the ages 62 and 64, with \$1 subcontracted for every \$2 over the limit. Once you reach age 70, you may earn any amount you want without sacrificing your benefits.

SURVIVOR BENEFITS

Part of your Social Security taxes buys survivors insurance that, in the event of your death, pays your spouse monthly benefits based on your Social Security record. Your children, parents, and in some cases, grandchildren may also be eligible if they are dependent on you for most of their support.

A surviving spouse is eligible for widow or widower's benefits at age 60 (50 if disabled), or at any age if caring for a child under 16 or a permanently disabled child. Unmarried children receive survivor benefits until they reach age 18, with an extension to age 19 if they are still attending high school full-time.

DISABILITY INSURANCE

Social Security also pays income to disabled individuals and their families. The standards

for qualifying for Social Security disability benefits are stringent. According to Social Security, you are disabled if you are unable to do any kind of gainful work for at least one year, or you have a condition that is expected to result in your death. If you qualify, you must wait until the sixth month of the disability before benefits are available.

However, benefits continue until you are no longer disabled, or at age 65, whichever comes first. The disability benefit amount is based on the worker's Social Security contributions.

NEW TAX LAW AFFECTS SOCIAL SECURITY BENEFITS

As a result of the new tax law, some high-income Social Security recipients may find that a higher percentage of their 1994 Social Security benefits are subject to income tax.

Under the old law, certain taxpayers had to include up to 50 percent of their Social Security benefits in their taxable income. For some taxpayers, that figure is now raised to 85 percent. To determine if your benefits are affected by the new tax law, contact your local Social Security office or seek assistance from a CPA.

To minimize the tax bite on your benefits, you may also want

to consult with a CPA for advice on deferring the recognition of income by restructuring your investments.

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Seminar To Offer Advice On Business Strategies

The Las Vegas Chamber of Commerce will offer a satellite seminar on Wednesday, August 2nd, at its offices at 711 East Desert Inn Road. John L. Ward of Loyola University, will offer advice on strategies that will help family-owned firms plan for their business' future growth and continuity.

This seminar is free and is for Chamber members exclusively. Seating is limited, and reservations are required. For reservations or more information, call the Chamber at 641-LVCC (5822).

Dedicated to protecting and enhancing the economic well-being of Southern Nevada, the Las Vegas Chamber of Commerce is a service organization which provides significant value to its members by offering them opportunities to build their businesses through many ongoing programs and activities.

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