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THAT 2.8 PERCENT SOCIAL SECURITY ADJUSTMENT COULD COME WITH A FEW CAVEATS

By: Tim Grant - October 17, 2018

Social Security beneficiaries will be getting a 2.8 percent cost-of-living adjustment in 2019, the largest increase they have seen in seven years.

In light of the adjustment set for next year, the average monthly benefit this year of $1,422 will increase by $39 a month to $1,461. The increase will amount to about $468 in annual income for the average single retired Social Security recipient.

"Social Security is a great benefit in that payments are protected from inflation and the cost-of-living adjustment prevents the erosion of the benefit's buying power over time, which is not the case for most pensions that are locked in for life at a fixed amount," said Robert "Casey" Gibb, managing director of financial planning at Hapanowicz & Associates, Downtown.

The 2019 adjustment represents the biggest jump in Social Security benefits for its 67 million recipients since 2012. That year beneficiaries received a 3.6 percent raise.

Last year, the annual increase was 0.3 percent. In 2016, the increase was 0 percent.

The cost-of-living adjustment is meant to help ensure that recipients' purchasing power remains the same no matter how long they may live or how quickly prices might rise. Most such raises are based on the Consumer Price Index, which is an approximation of how much someone must spend to attain a certain level of well-being.

Although for many, the 2019 increase is a much needed pay raise, retirement planning expert Galen Bargerstock, of Indiana, Pa.-based Government & Civil Employee Services, warns that the increase could actually hurt some Americans and not be enough for others.

He said married couples could end up paying more in taxes. If the increase puts a married couple over $44,000 in annual combined income, their Social Security income is up to 85 percent taxable. Income that falls below that amount is not taxable.

Individuals also could end up paying more taxes if the increase pushes their annual income over $34,000. Individuals pay taxes on 85 percent of their Social Security income if they earn more than $34,000, Mr. Bargerstock said.

"If seniors have Social Security payments automatically credited to their bank accounts and they believe the increase could push them over the income limit, they might have to take less income from other investments — such as 401k distributions and annuities," said Mr. Bargerstock, whose company assists federal employees with retirement planning.

Earning too much money is not a problem many elderly Social Security beneficiaries have to worry about.

According to the Social Security Administration, 21 percent of married couples and about 44 percent of unmarried people rely on the federal program for 90 percent or more of their income.

People age 65 and older also could see their Social Security pay raise swallowed up by health care costs.

The government announced that monthly premium costs for Medicare Part B will go up in 2019.

This increase will affect how much beneficiaries actually receive because the premium is deducted from Social Security payments.

Part B Medicare covers physician and diagnostic services, outpatient hospital services, certain home health services and durable medical equipment.

Galen Bargerstock, president of Government & Civil Employee Services, LLC (GCES), is concentrated on navigating federal and state employees through financial and retirement planning. Galen holds a Pennsylvania Life, Health and Annuity License, as well as Series 6 and 63 licenses.

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