



SOCIAL SECURITY  
BENEFITS

- A WIDOW'S GUIDE -

FOR UNDERSTANDING WINDFALL ELIMINATION PROVISION



# Understanding Windfall Elimination Provision

As a widow, the last thing you want is any unpleasant surprises. And, unbeknown to many of us, under certain circumstances Social Security can hold a nasty surprise.

The culprit is something called the Windfall Elimination Provision (WEP) and too many people have never heard of it.

Another little-known retirement game-changer is the Government Pension Offset (GPO), which is covered in a separate Widow's Guide. Together these two can wreak havoc with our best-laid plans.

Let's look at WEP carefully to be sure we know if we are among the vulnerable.

## An Overview of WEP

In 1983, Congress decided to level what it considered an unfair playing field for those who were going to receive, in effect, two retirement benefits. Here is why: Social Security places a greater weight on each dollar earned by low-wage earners, in order to provide more robust support for those who will likely be most dependent on their Social Security benefits in retirement.

If you have a non-covered pension, you may have dedicated fewer years to a Social Security covered job and will have relatively few 'earned Social Security dollars.' However, you will have other retirement income that is not being factored in, so you will benefit unjustly from the way Social Security skews its calculations. Hence the Windfall Elimination Provision.

No crossover reporting exists between Social Security and non-covered pension systems, so Social Security only knows to apply WEP once you file for benefits and state that you will be receiving a non-covered pension.



## Who could be at risk

Whenever you have the Social Security system (a 'covered' pension) interacting with a pension from a job that did not participate in the Social Security system (a 'non-covered' pension), whether in your own work history or between yours and that of your spouse, greater planning and scrutiny are called for. You may be susceptible to WEP.

Non-covered employment typically includes public workers such as teachers, police and firefighters. It also includes many (but not all) other state, county and local employees in those states with state-run pension plans, plus nonprofit organizations and foreign governments.

As life expectancy increases, our work lives are growing longer. Many of us are enjoying multiple careers, some of which could be in such non-covered jobs. For example, you may have taught school for several years early in your career and built up a pension. Then, after the children were grown, you may have worked in a Social Security covered job.

If that – or any similar situation – is your case, be sure to read on or consult your financial advisor. And if it is not your case, be sure to share this with anyone you know who might be at risk. (Yes, it is that important!)

## Who is not affected

To start, WEP does not apply to private pensions. It also does not affect military pensions because members of the military have paid into Social Security. Federal Government workers need to look a little more closely.

Those who started after 1984 will not be affected, as they will have paid into Social Security. However, anyone with a Federal Government work history before 1984 needs to check if part or all of their contributions were made into the earlier, non-covered Civil Service system.

## How WEP works

Briefly, if you:

- (1) have paid into the Social Security system sufficiently to qualify for a Social Security retirement benefit, but have less than 30 years of Social Security covered work; and
- (2) have also qualified for a pension from a job in which Social Security taxes were not paid (non-covered employment),

WEP triggers a recalculation of your Social Security benefits. Your base benefit number will be lower, along with any benefit that derives from it, such as spousal and ex-spousal, but not survivor.

## How WEP works (continued)

For example, for someone reaching age 62 in 2019, instead of the first \$926 of inflation-adjusted monthly earnings being multiplied by 90 percent to calculate that portion of the Social Security benefit at Full Retirement Age (FRA), it is multiplied by only 40 percent. That will result in a \$463 reduction in your Full Retirement Age monthly benefit, also known as your primary insurance amount (PIA). Calculations on the remainder of one's earnings, those above \$926, are not affected by WEP.

Your maximum monthly reduction from WEP is also affected by how many years of participation you have in Social Security covered employment. The \$463 reduction cited above can apply through up to 20 years of participation. Above that, the amount of reduction lessens by \$46.30 per year, until it reaches \$0 reduction in Year 30.

One last factor: the WEP reduction is capped at one-half of the pension you receive from non-covered employment.

## When WEP kicks in

WEP starts affecting your Social Security payments only when the pension from non-covered employment begins. That means that you could receive your full non-WEP-adjusted Social Security payments for a time, until your non-covered pension is activated by retirement or some other plan-defined trigger. Once that happens, your Social Security payments going forward would be reduced to reflect WEP.

## How WEP can be minimized

Because the maximum monthly WEP reduction declines with the number of years you have of Social Security covered employment, if you can continue contributing until you reach 30 years, even on a part-time basis, you will have avoided the WEP reduction altogether.

This becomes a valuable planning tool. For example, neutralizing the \$463-per-month maximum reduction means more than \$5,500 per year in added benefits. Over a 20-year retirement period, that represents \$110,000, plus any cost of living (COLA) adjustments. Even if you are unable to reach 30 years, each year you get closer to 30 increases your benefits.

## What else is affected by WEP

Besides your own Social Security retirement payments, WEP will affect any payments made to spouses and dependents. However, it does not affect survivor benefits.



## When WEP ends

WEP will no longer be applied if you cease being entitled to your non-covered pension; if you become eligible for WEP exemption because you reached 30 years of Social Security covered employment; or when you die. (Subsequently, the benefit for your survivor will be recalculated without the WEP.)

## A widow's story

As a widow at 62, Mary is reassessing her work plans for the next decade or so. Without Norm around to talk things through, the stress is much higher – as is her feeling of vulnerability.

She does have the survivor benefit from Norm's Social Security, but he had taken it early, so it isn't as large as they had hoped. Mary knows she needs to study her options carefully.

First of all, does she have enough Social Security contribution periods to qualify for benefits? If not, how many more years will she have to work to qualify? And, if so, will she be affected by WEP? Does she take her Social Security at 66 (at the full benefit) or continue adding to benefits each year until age 70? As a survivor, she is going to receive the larger of her benefit and that of her deceased spouse. At what point does her Social Security benefit become higher than her survivor benefit from Norm, if ever? (That could determine if she bothers to work to minimize WEP or not.)

While these calculations may seem complicated, the Social Security website provides an interactive calculator where, with all her information, Mary can estimate her Social Security benefit. It can be found [here](#). But, for even greater precision, she can go to a Detailed Calculator, available [here](#).

## Where to find help

WEP has made retirement planning and calculating much more complicated. If not carefully considered, WEP can have a significant impact on the amount you collect and, as a widow, you want as much control as you can get over your future finances.

If you choose to navigate these waters on your own, the Social Security Administration's website [www.ssa.gov](http://www.ssa.gov) is an excellent resource. The two calculators offered by Social Security are provided above.





## We are here to help.

Do you want to understand more about social security, including WEP?

If you want to avoid unpleasant surprises altogether, let us review your Social Security circumstances with you, so you maximize your benefits and minimize your risks.

Learn more at [www.whcornerstone.com](http://www.whcornerstone.com).

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