



Accredited Retirement Advisor (ARA)

Preparatory Course

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Chapter 1

SOCIAL SECURITY

LEARNING OBJECTIVES

After reviewing this chapter, you should be able to:

- Identify general eligibility requirements for Social Security benefits
- Distinguish between retirement, disability, survivor, and spousal benefits
- Understand how benefits are calculated
- Describe the penalty for earned income as it relates to the calculation of retirement benefits
- Explain benefits available to divorced or widowed spouses

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Disability Eligibility			
Sam's Age	Period of Time	Months	Quarters
21	April 1, 2017 to March 31, 2018	12	4
22	April 1, 2018 to March 31, 2019	12	4
23	April 1, 2019 to March 31, 2020	12	4
24	April 1, 2020 to March 31, 2021	12	4
25	April 1, 2021 to October 1, 2021	6	2
Total		54	18
Half the Time Between 21 and Disability		27	9

To satisfy the duration work test, a worker must have accrued a certain number of years of work in order to be eligible for disability benefits. The years required depend upon a worker's age at disability as follows:

Age at Disability	Years of Work Needed
Before 28	1.5
30	2
34	3
38	4
42	5
44	5.5
46	6
48	6.5
50	7
52	7.5
54	8
56	8.5
58	9
60	9.5

<https://www.ssa.gov/benefits/retirement/planner/credits.html>

For this test, a person's work does not have to fall within a certain period. Statutorily blind individuals are only subject to the duration of work test and are not required to satisfy the recent work test.

RETIREMENT BENEFITS

Coverage Requirements

If a worker retires, he or she is entitled to Social Security retirement benefits if the following requirements are satisfied: he or she (1) worked in covered employment long enough to be insured and (2) is at least 62 years old. Social Security is intended to replace a percentage of a worker's pre-retirement income based on the worker's lifetime earnings. Benefits are calculated based on a person's highest 35 years of earnings. Benefit amounts paid vary depending on the amount of wages earned and when the worker elects to begin receiving payments.

than \$1,580 in either November or December, she won't be paid a benefit for that month. The annual limit will apply beginning in 2022.

For self-employed individuals, the SSA looks at how much work is performed in the business to determine whether an individual is retired. The SSA applies the following general rule: if a person works more than 45 hours in a month in self-employment (i.e., performs substantial services in self-employment), he or she will not be considered retired. Working fewer than 15 hours in a month will be considered retired. If between 15 and 45 hours per month are spent working, a person will only be considered retired if the work is in a job that does not require a lot of skill, or is not the management of a sizable business.

DIVORCED OR WIDOWED SPOUSES

Divorced Spouses

If a worker is divorced, his or her ex-spouse may receive benefits on their record, even if the worker is remarried. This is the case only if the following requirements are satisfied: (1) the marriage lasted at least 10 years; (2) the ex-spouse is not married; (3) the ex-spouse is at least 62 years old; (4) the benefit the ex-spouse is entitled to on the basis of his or her own work record is less than the benefit to which they would be entitled based on the worker's earnings record; and (5) the worker is entitled to Social Security retirement or disability benefits.

The ex-spouse may receive benefits on a worker's record if the worker and ex-spouse have been divorced for at least two continuous years, even if the worker has not applied for retirement benefits (but still qualifies for such benefits). If an ex-spouse is entitled to benefits based on his or her own work history, that amount will be paid first. If the benefit on the worker's record is higher, the ex-spouse will be paid an additional amount that is based on the worker's record such that the total of the two amounts together equals the higher amount.

If a worker's ex-spouse is still working while receiving benefits, he or she is subject to the same earnings limits as apply to the worker. The amount of benefits a worker's ex-spouse gets does not impact the amount of benefits the worker or his or her current spouse is entitled to receive.

Divorced Widows and Widowers

A divorced widow or widower may receive benefits in the following scenarios: (1) at age 60 or older if the marriage to the deceased worker lasted at least 10 years; (2) at age 50 or older if disabled (and the marriage lasted at least 10 years); or (3) at any age if they take care of the deceased's child who is younger than 16 or is disabled.

Chapter 1: Social Security

SSA Press Release: Estimated Average Monthly Social Security Benefits Payable in 2022

Estimated Average Monthly Social Security Benefits Payable in January 2022		
Category	Before 5.9% COLA	After 5.9% COLA
All Retired Workers	\$1,565	\$1,657.0
Aged Couple, Both Receiving Benefits	\$2,599	\$2,753.00
Widowed Mother and 2 Children	\$3,009	\$3,187.00
Aged Widow(er) Alone	\$1,467	\$1,553.00
Disabled Worker, Spouse and 1 or More Children	\$2,250	\$2,383.00
All Disabled Workers	\$1,282	\$1,358.00

Source: <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf>

APPENDIX A

Historical Bend Points

Dollar amounts in Primary Insurance Amount and maximum family benefit formulas					
Year ^a	Dollar amounts in PIA formula		Dollar amounts in maximum family benefit formula		
	First	Second	First	Second	Third
1979	\$180	\$1,085	\$230	\$332	\$433
1980	194	1,171	248	358	467
1981	211	1,274	270	390	508
1982	230	1,388	294	425	554
1983	254	1,528	324	468	610
1984	267	1,612	342	493	643
1985	280	1,691	358	517	675
1986	297	1,790	379	548	714
1987	310	1,866	396	571	745
1988	319	1,922	407	588	767
1989	339	2,044	433	626	816
1990	356	2,145	455	656	856
1991	370	2,230	473	682	890
1992	387	2,333	495	714	931
1993	401	2,420	513	740	966
1994	422	2,545	539	779	1,016
1995	426	2,567	544	785	1,024
1996	437	2,635	559	806	1,052
1997	455	2,741	581	839	1,094
1998	477	2,875	609	880	1,147
1999	505	3,043	645	931	1,214
2000	531	3,202	679	980	1,278
2001	561	3,381	717	1,034	1,349
2002	592	3,567	756	1,092	1,424
2003	606	3,653	774	1,118	1,458
2004	612	3,689	782	1,129	1,472
2005	627	3,779	801	1,156	1,508
2006	656	3,955	838	1,210	1,578
2007	680	4,100	869	1,255	1,636
2008	711	4,288	909	1,312	1,711
2009	744	4,483	950	1,372	1,789
2010	761	4,586	972	1,403	1,830
2011	749	4,517	957	1,382	1,803
2012	767	4,624	980	1,415	1,845
2013	791	4,768	1,011	1,459	1,903
2014	816	4,917	1,042	1,505	1,962
2015	826	4,980	1,056	1,524	1,987
2016	856	5,157	1,093	1,578	2,058
2017	885	5,336	1,131	1,633	2,130
2018	895	5,397	1,144	1,651	2,154
2019	926	5,583	1,184	1,708	2,228
2020	960	5,785	1,226	1,770	2,309
2021	996	6,002	1,272	1,837	2,395
2022	1,024	6,172	1,308	1,889	2,463

^a Year of eligibility; that is, the year in which a worker attains age 62, becomes disabled before age 62, or dies before attaining age 62.

<https://www.ssa.gov/OACT/COLA/bendpoints.html>

REVIEW QUESTIONS

1. For 2021, the amount of earnings needed to obtain a quarter of coverage is:
 - a. \$250
 - b. \$1,360
 - c. \$1,470
 - d. \$1,889

2. Absent a disability or other exception, how many total quarters of coverage must a worker have obtained to be considered fully insured?
 - a. 30
 - b. 40
 - c. 50
 - d. 60

3. If a worker wants to maximize the monthly retirement benefit amount, at what age should he or she elect to start receiving benefits?
 - a. 60
 - b. 62
 - c. 67
 - d. 70

4. Workers aged 31 and older will earn disability-insured status when they have earned at least 20 quarters of coverage in the ____ -year period immediately preceding a disability.
 - a. 5
 - b. 8
 - c. 10
 - d. 15