



HEATHER SCHREIBER'S

AUGUST 2024

SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

Happy 89th Birthday, Social Security

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GUEST EXPERT: Annette Hammortree CLTC, RICP®

Hammortree Financial
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Chrystal Lake, IL

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Beware of WEP/GPO Outliers

Just because it doesn't smell like one doesn't mean it isn't one. I know I'm using the reverse of the old saying, but it seems perfectly relevant and appropriate in this instance. I recently received an email about a "complex Social Security question" from an advisor I will call Lucas. The case scenario he posed had everyone in his office stumped, and he hoped I could provide insight on not if, but when the Windfall Elimination Provision (WEP) would be imposed on his client's Social Security benefit.

Several recent issues have highlighted the vast number of incorrect payments received by current beneficiaries, primarily because of changes that recipients fail to report, such as earnings, marital status, or death of a spouse. Another significant cause of overpayments is the failure to adjust payments for the receipt of noncovered pensions, either due to WEP or its sister provision, the Government Pension Offset (GPO). At issue for some beneficiaries and their advisors could be a misinterpretation that nontraditional modes of payment or types of "pensions" are exempt from these provisions.

As a refresher, WEP may impact government employees who have earned a pension based on noncovered income (i.e., non-Social Security taxed earnings) and who have earned a Social Security

retirement benefit through covered work. Whereas WEP might reduce the pensioner's Social Security benefit, GPO may reduce or even eliminate Social Security auxiliary benefits, such as spousal or survivor benefits, that the pensioner may be entitled to under the record of a spouse or former spouse.

Pension Plus

In the case brought to my attention, Lucas and 26 other financial planners are working for a public sector retirement plan record keeper. This financial planning firm plays a crucial role in assisting many city employees with questions related to Social Security and Medicare; certain cities where their clients work provide a defined benefit pension or a defined contribution plan to their employees who do not pay Social Security taxes on their earnings.

As Lucas explained, many of these employees have worked long enough in covered employment to earn Social Security benefits. Lucas' firm routinely explains the potential impact of non-covered pensions on Social Security retirement and auxiliary benefits through the WEP and the GPO, thereby making a significant difference in the lives of these government employees.

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