

What late-career doctors must know about Social Security rules

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Physicians shouldn't wait for the Social Security Administration to tell them when to apply for retirement benefits. Navigating the agency's complex rules and schedules should be part of every doctor's personal retirement planning.

Tim O'Mara, vice president of the Nationwide Retirement Institute in Charlotte, North Carolina, presented tips for managing Social Security and retirement in a webinar for AMA Insurance Agency Inc., a wholly-owned subsidiary of the AMA.

"The Social Security Administration is not proactive. They will not tell you when to turn on your benefits and they will never turn it on for you," O'Mara said. "They are sitting there waiting." The agency's attitude, he said, is: "We have money. If they want it, they have to come get it."

The Social Security Administration website features an individual user account option that allows participants to track their progress toward retirement benefits and eventually sign up to receive monthly payments. The site also tells participants what they would receive at various ages before and after they reach the baseline full retirement age. O'Mara recommends that doctors of any age sign up for the website as soon as they can.

"Everyone has a Social Security account online, but you have to sign up to access the account," he said.

The account lists your earnings for every year you have worked—"but make sure the numbers look right," O'Mara said.

Over 2,000 rules and complications

Social Security has more than 2,000 rules that affect the timing and amount of benefits, O'Mara explained. But the first step to understanding your benefits is the definition of "full retirement age," the baseline calculation of what Social Security owes to each participant.

Full retirement age varies based on a participant's age and ranges from 66 to 67 years old. People born from 1943 to 1954 reach full retirement age at 66 years old, and that ranges upward by two months for each year past 1954. For those born in 1960 and after, the full retirement age is 67.

But actual payouts—called the primary insurance amount—are based on 35 years of Social Security earnings adjusted for inflation and on a nine-year range. People who qualify with 40 quarters of earnings can receive payouts calculated on 35 years of those earnings and can take the payouts from age 62 to 70, based on a sliding scale.

People retiring at 62 receive only about three-quarters of their full retirement age benefit, and a majority of retirees (about 54%) file before full retirement age. About one-third file at full retirement age and about 13% file for benefits between full retirement age and 70, which is the top of the benefits scale. A participant who waits until age 70 receives the largest payment, about 132% of the payment at full retirement age.

Maximum Social Security payments are \$3,148 per month for 2021.

How to get the "handcuffs off"

One positive factor of waiting until full retirement age, O'Mara noted, is that physicians retiring at that age may continue to work and earn additional salary without penalty. At that point, "all the handcuffs come off."

So, a physician who takes Social Security benefits at full retirement age may start receiving Social Security payments and continue practice full or part-time and get paid without any penalty or forced withholding.

One factor to consider before deciding to retire before 65 is health care. People retiring early must pay for their own private health care until 65 when Medicare becomes available, he said. Many will want to wait at least until Medicare is available.

Spousal benefits can also affect your decision-making, O'Mara said. Otherwise unqualified spouses who have been married at least one year can receive benefits up to half of their qualified spouses with certain restrictions when the other spouse applies and divorced spouses who have been married for at least 10 years can receive benefits as long as they remain unmarried.



Social Security should only form one part of every physician's retirement plans. If you don't have an adviser to guide you through such planning, you can find one with information from the Certified Financial Planners organization, Financial Industry Regulatory Authority or through the?AMA Insurance Physicians Financial Partners program. The program provides access to a nationwide network of independent, local and experienced financial professionals who have undergone a comprehensive due-diligence process by AMA Insurance. ?

AMA Insurance also offers life, disability, home, and auto insurance and provides access to other financial services products through Millennium Brokerage Group LLC, a strategic marketing partner of AMA Insurance.