

A Deeper Dive Into Social Security

Who Qualifies for Social Security Benefits and the History of Social Security

Social Security benefits are available to different groups of people who have worked and paid into the Social Security system. These groups include retired workers, disabled workers, surviving spouses and children, and dependents of deceased workers.

The Social Security program was established in 1935 as part of the New Deal legislation. It was designed to provide a source of income for retired workers and their families, and it has since been expanded to include benefits for disabled workers and dependents of deceased workers. Today, the Social Security program is one of the largest and most important social insurance programs in the United States.

Differences in Social Security Tax Rates for Self-Employed and Employed Workers

The Social Security tax rate is the same for both self-employed and employed workers, at 12.4% of earnings up to a maximum of \$142,800 in 2021. However, for self-employed workers, this tax rate is applied to their net earnings from self-employment, which includes their business income minus any business expenses. For employed workers, the tax is applied to their gross wages and is split evenly between the worker and their employer, with each paying 6.2% of the worker's earnings.

How to Calculate Social Security Taxes

To calculate how much a worker and their employer will pay in Social Security taxes, you need to first determine the worker's earnings. For example, if a worker earns \$50,000 per year, their Social Security tax would be calculated as follows:

For the worker: $\$50,000 \times 6.2\% = \$3,100$

For the employer: $\$50,000 \times 6.2\% = \$3,100$

Therefore, in this example, the worker and their employer would each pay \$3,100 in Social Security taxes for a total of \$6,200.

Social Security Benefits for Different Income Levels

The amount of Social Security benefits that a person receives at their full retirement age depends on their income level and the amount of money they have paid into the Social Security system. In general, the higher a person's income and the more money they have paid into the system, the higher their benefits will be.

The average benefit paid to a retiree living on Social Security today is approximately \$1,200 per month. This amount helps retirees meet their basic needs, providing a stable financial foundation for many seniors who might otherwise struggle to make ends meet. In addition, the average benefit pays out more than twice as much as it did 40 years ago when adjusted for inflation, and in 2020 that increase was increased even further due to the CARES Act. This means that today's retirees are receiving an even greater sum each month than before the pandemic hit. Furthermore, many of those receiving Social Security benefits also qualify for other government assistance programs like Supplemental Security Income or SNAP that can

help bridge the gap between their income and expenses. Overall, thanks to increases in the amount of Social Security benefits paid out over time and additional measures taken during the COVID-19 pandemic, retirees have greater resources at their disposal than ever before - allowing them to maintain healthy lives with financial security and independence in retirement.

According to the Social Security Administration, the average monthly benefit for all retired workers in 2021 is \$1,543. However, the benefits for people of different income levels can vary significantly. For example, the average monthly benefit for a worker with average earnings is \$1,543, while the average monthly benefit for a worker with above average earnings is \$2,039. Additionally, the average monthly benefit for a worker with low earnings is \$1,068.

The Bottom Line About Social Security

Overall, it is clear that Social Security benefits are available to different groups of people who have worked and paid into the system. The amount of benefits that a person receives depends on their income level and the amount of money they have paid into the system. Investing in Social Security through the payment of taxes can provide important income protection during retirement.

Social Security is an important social insurance program that provides income protection for retired workers and their families, as well as for disabled workers and the dependents of deceased workers. The amount of benefits that a person receives depends on their income level and the amount of money they have paid into the system.

By understanding the history of Social Security and the different groups of people who are eligible for benefits, as well as the differences in tax rates for self-employed and employed workers and the calculation of benefits, individuals can make informed decisions about their own retirement planning and income protection.

STANDARDS: 8.6a, 8.6b, 8.6c, 8.6d, 1.12.10a, 1.12.10b, 1.12.10c, 1.12.10d