

2017 Social Security Changes

The tax team at **Lindquist, von Husen & Joyce LLP** would like to bring your attention to the most recent changes announced by the **Social Security Administration (SSA)** that will be effective for 2017. Some highlights of the changes are as follows:

1) Cost of Living Adjustment (COLA)

Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2014 through the third quarter of 2016, Social Security and Supplementary Security Income (SSI) beneficiaries will receive a 0.3 % COLA for 2017.

- For all retired workers, this adjustment results in an average monthly benefit of \$1,360.
- The maximum monthly Social Security benefit (for a worker retiring at full retirement age) will be \$2,687.

Our Observations: The increase to the average monthly benefit for retired workers is only \$5 per month compared to that for 2016, and the increase to the maximum benefit is only \$48 per month compared to that for 2016. These paltry increases are sure to create concerns for the elderly and others who depend on this income. Benefit recipients and tax practitioners alike are anxious to hear of any positive changes to these benefits as we near an administrative change in Washington. One desired change would be to see the CPI index reflect actual price inflation faced by the elderly in lieu of the modified index that is currently used.

2) Social Security & Medicare Tax Rates

	2016	2017
Employee	7.65%	7.65%
Self-employed	15.3%	15.3%

Please note that the 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.2% on earnings up to the applicable taxable maximum. The Medicare portion (HI) is 1.45% on all earnings, with no taxable cap. Please note that, as of 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. The additional 0.9% additional tax is still applicable for 2017 and is not reflected in the above employee and self-employed rates shown above.

3) Maximum Taxable Earnings

	2016	2017
Social Security (OASDI)	\$118,500	\$127,200
Medicare (HI)	No Limit	

Our Observations: Though the tax rates for Social Security and Medicare remain constant with rates from 2016, the increase in the maximum taxable earnings from \$118,500 to \$127,200 results in a true tax increase for those earning greater than \$118,500. The increase in the cap means that these earners will be paying up to an additional \$539 in Social Security in 2017: $6.2\% \times (\$127,200 - \$118,500) = \$539.40$.

The above changes are just a sample of the total changes for 2017 announced by the SSA. Please [click here to read all of the changes](#).

It is clearer than ever that saving for retirement should be at the forefront of all tax planning strategies. Social Security benefits are unlikely to be sufficient to sustain most individual lifestyles and should not be relied upon as a primary retirement strategy.



If you would like to discuss these changes to Social Security and other tax planning strategies, please contact: **Steven J. Robertson**, Principal, at srobertson@lvhj.com or 415-905-5420.

[Click here to read more about Steven J. Robertson.](#)

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