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Volume 34 | Issue 83 | October 19, 2011

Social Security Benefits to Increase 3.6% in 2012

The Social Security Administration has announced key Social Security numbers for 2012.

The 2012 Social Security cost-of-living percentage increase will be 3.6%, and will first apply to December 2011 benefits payable in January 2012. There was no increase for 2011.

For Old Age Survivors and Disability Insurance (OASDI), the payroll tax rate in 2012 will be 6.20% on wages up to the Social Security taxable wage base. The Social Security taxable wage base will increase in 2012 to \$110,100, up from \$106,800 in 2011. The Medicare Part A payroll tax rate of 1.45% will continue to apply on all wages in 2012.

BUCK COMMENT. *Note that the 6.20% payroll tax applies to both employees and employers. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reduced the OASDI tax rate for employees for 2011 to 4.2%. Although Social Security payroll tax cuts for 2012 have been discussed, nothing is certain at this time.*

Other Social Security amounts for 2012 include the following –

- The average of total wages for 2010 (the most recent year) is \$41,673.83. This figure is used in adjusting previous years' earnings to determine the Average Indexed Monthly Earnings (AIME), which is used to calculate Social Security benefits.
- For 2012, the primary Social Security monthly benefit formula will be 90% of the first \$767 of AIME, plus 32% of the next \$3,857, plus 15% of any excess over \$4,624.
- For recipients under Social Security normal retirement age (SSNRA) in 2012, the annual exempt amount will be \$14,640. For recipients who attain SSNRA in 2012, the annual exempt amount, which applies only to earnings in months prior to the month of SSNRA attainment, will be \$38,880. There is no earnings test for Social Security recipients in years following the year of attainment of SSNRA.

If you have any questions on these key figures, please contact your Buck consultant.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.