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US

Volume 40 | Issue 124 | October 13, 2017

Social Security Benefits and Taxable Wage Base to Increase for 2018

The Social Security Administration has announced key 2018 Social Security numbers, including a cost-of-living adjustment of 2.0% and taxable wage base of \$128,700.

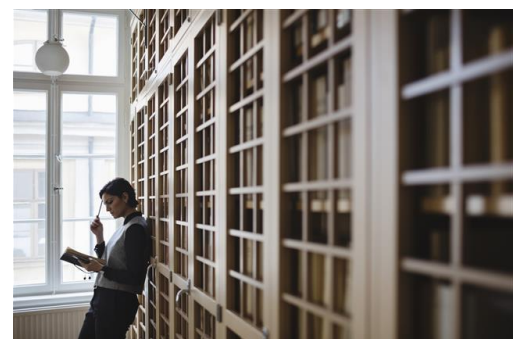
Key Changes for 2018

By law, Social Security benefits increase automatically each year if the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increases from the third quarter of the last year to the corresponding period of the current year. The measure for the current period in 2017 is compared to the 2016 index to determine the increase for 2018. Accordingly, the 2018 Social Security cost-of-living percentage increase will be 2.0%, and will first apply to December 2017 benefits payable in January 2018.

For Old Age Survivors and Disability Insurance (OASDI), the payroll tax rate in 2018 will be 6.20% on wages up to the Social Security taxable wage base. The Social Security taxable wage base will increase in 2018 to \$128,700, up from \$127,200 in 2017. The Medicare payroll tax rate of 1.45% will continue to apply on all wages in 2018. An additional 0.9% Medicare tax rate will apply on wages over \$200,000 for single filers, wages over \$250,000 for joint filers, and wages over \$125,000 for persons who are married but filing separately. These threshold amounts are not indexed for inflation.

Other Social Security amounts for 2018 include the following:

- The average of total wages for 2016 (the most recent year) is \$48,664.73. 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 2018, the primary Social Security monthly benefit formula will be 90% of the first \$896 of AIME, plus 32% of the next \$4,503, plus 15% of any excess over \$5,399.
- For recipients under Social Security normal retirement age (SSNRA) in 2018, the annual exempt amount is \$17,040. For recipients who reach SSNRA in 2018, the annual exempt amount is \$45,360, which applies only to earnings in months prior to the month the recipient attains SSNRA. There is no earnings test for Social Security recipients in months following attainment of SSNRA.



Authors

Marjorie Martin, FSPA, EA, MAAA

Andrew Eisner, ASA, EA, MAAA, FCA

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