New Law Raises Social Security Income For Some

Until recently, if you received a pension from a job that did not pay into Social Security and you've also worked in a job that did, your Social Security benefits at retirement were reduced based on your pension income.

As of Jan. 5, 2025, that's no longer the case, thanks to the Social Security Fairness Act. Now, you'll receive both your pension and your fully earned Social Security benefits because the Act repealed the Windfall Elimination Provision (WEP).

This new law also repealed the Government Pension Offset (GPO) provision which had reduced spousal or survivor Social Security benefits for people employed in government jobs. These benefits will be increased in 2025.

There are nearly 3 million people who, depending on their situation, may see their benefits increase – from very little to $1,000 a month or more. Those impacted fall into these professional categories: teachers, firefighters, and police officers in many states; and federal employees covered by the Civil Service Retirement System.

The Act is retroactive to January 2024, and the Social Security Administration paid an additional lump sum benefit to affected people in March 2025. Going forward, most monthly income "raises" appear on April checks (for March benefits). A few more complex cases may take a little longer.

A word of caution – beware of scammers. The Social Security Administration doesn't tend to call, email or text; they'll send a letter regarding changes to your retirement benefits. And they will never ask you to pay for assistance or to have your benefits started, increased, or paid retroactively. But you can call the SSA at 800-772-1213 to ask if your retirement benefits have changed.

Plan for your increased retirement income

Of course, everyone's needs are different, so there's no one "right" way to handle a lump sum benefit or a monthly raise in income. But here are a few suggestions:

• *Pay off some debts.* If you have credit card debt a car or student loan, you may want to pay it down, or even pay it off.

• *Invest in an individual retirement account (IRA).* If you still have "earned" income – from wages, salaries, tips, bonuses, commissions, self-employment earnings or long-term disability payments – you can contribute from these sources to an IRA. There are tax benefits and an array of investment choices, so it's an excellent way to build resources for retirement.

• *Save for college.* If you have children, or grandchildren, who have college in their plans, you might want to put some money into a college savings vehicle, such as a 529 plan, which provides tax benefits and gives you great flexibility in distributing the money.

• *Build an emergency fund.* If you don't already have an emergency fund with three to six months of living expenses, you can work on that. Keep the money in a liquid, low-risk account, so that it's readily available to pay for unexpected costs. Without such a fund, you may be forced to tap into your long-term investments.

Above all, you may want to get some help. A financial professional can recommend ways of using the money to help you meet your goals. Take any recent government correspondence that shows how your retirement benefits have changed so you can build or review your retirement income strategies.

If you're thoughtful about how you put your new income to work, you'll be doing yourself, and your retirement, a favor.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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