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10 THINGS
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… Contractors Won't Tell You

By Elizabeth O'Brien

Inside the relationship that could make or break your next home-remodeling project.

1 'License? What license?' With the economy rebounding, home owners may be more likely to include remodeling projects in their 2015 budgets.

That means more business for good and bad contractors alike. Unfortunately for consumers, telling the two apart isn't always easy. While most states require some sort of licensing, regulations and enforcement vary greatly, and some contractors don't bother following the rules.

Even when dealing with licensed pros, home owners hiring a contractor should seek referrals from past and current clients, and ask to see the contractor's work, both completed and in progress.

Another option: Use a service that vets contractors in advance. The website HomeAdvisor, for example, matches home owners with contractors screened for licensing compliance, past criminal history and other issues.

2 'Our contract favors me.' Boilerplate contracts are common in home-improvement, but can leave contractors too much wiggle room to add expenses or cut corners. Home owners should insist on plenty of details specific to the job in their agreements.

It's best to restrict upfront payments to about 30% of the total, says Chris Terrill, CEO of HomeAdvisor. It's also important to withhold the final payment—10% to 15% of the total cost—for 30 days after the job is done, to make sure that everything works the way it should.

3 'I could take your money and run.' Home improvement and construction complaints ranked second out of the top 10 consumer complaints of 2013, according to a survey of state and local agencies by the Consumer Federation of America (CFA). Contractor misbehavior can run the gamut, including doing shoddy work, failing to complete jobs, and preying on disaster victims. But many scammers simply collect a down payment on a job and disappear.

4 'We see more churn than a butter factory.' Some experts recommend seeking out contractors who have been in business under the same name for at least three years, a respectable track record for the industry.

Each year, some 30% of contractors go out of business, according to Mr. Terrill. Of these, some pull up their shingle and join another firm, or fall victim to a poor economy. But others change their business names to dodge bad debts or irate clients.

5 'If I don't pay my people, it could come back to bite you.' Home owners generally make payments to a single general contractor, who in turn pays the subcontractors, such as roofers and plumbers, who work on a project.

But if a contractor stiffs a subcontractor, the latter may be able to file a lien—a public notice of a creditor's claim—on the home owner's house.

Contractors can also file liens if the home owner doesn't pay them the agreed-upon amount. These liens can block a home owner from selling or refinancing the property, notes Brian Downs, president of Downs & Associates, an insurance firm in Herndon, Va.

6 'My super-low bid is a bad sign.' Home owners should solicit at least three bids for their remodeling job, experts suggest. But if one bid comes in more than 5% to 10% lower than the others, it's a red flag, says Kermit Baker of the Joint Center for Housing Studies of Harvard University. Labor and material costs don't vary that much in any given location, so the contractor with the lowest bid may misunderstand the nature of the job.

Some contractors are cheaper because they don't hire a "leadman," an on-site manager who supervises the subcontractors. But that expense pays for itself many times over in better-quality workmanship and communication, says Tom Pendleton, president and owner of Pendleton Homes & Remodeling in McLean, Va.

7 'I pad my contract with surprise extras.' One common home owner complaint: A contractor lures a client with a low bid, but subsequently talks the client into upgrading the lesser-quality materials he had budgeted for, or otherwise tries to expand the scope of the job.

That said, extra costs sometimes address legitimate issues, including shoddy workmanship by prior builders or contractors. Mr. Pendleton tells prospective clients upfront that they should budget an additional 10% of the project cost for unforeseen expenses.

8 'You could pay dearly if I'm not properly insured.' Professional contractors should carry both liability and workman's compensation insurance. Home owners should ask the contractor's insurance agent to send them a copy of the builder's certificate of insurance, says Tom Messier of Mason & Mason Insurance Agency in Whitman, Mass.

That insurance is important regardless of the project size, Mr. Messier says. "I may be replacing your kitchen counter, but I could cut my finger off doing it."

Indeed, home owners can face serious complications if their contractor has no insurance. Clients could see their home owners' insurance tapped to cover injuries or damages.

9 'You may not notice when I cut corners.' Poorly laid tiles or crooked door frames may be easy enough to recognize, but other parts of the building process, like plumbing, remain harder for the average home owner to assess.

One way for home owners to show contractors they're serious about quality is to directly supervise some of the work and ask a lot of questions.

10 'If I knock on your door, don't answer.' The contractors you definitely shouldn't hire are those that offer their services unsolicited. These itinerant "workers" are often scam artists who approach people's homes offering to do jobs at bargain-basement prices.

In reality, if they do the job at all, they're most likely doing shoddy work with low-grade materials, says Susan Grant, director of consumer protection for the CFA: "Never go with someone who just comes to your door."

YOUR BENEFITS

Social Security's New Income Rules

By Jennifer Waters

With the new year, the Social Security Administration is implementing new rules regarding your income—whether you're retired or not.

If you're still working and not collecting benefits, you'll have to earn more before the government stops withholding payroll taxes under the Federal Insurance Contributions Act, or FICA, for Social Security insurance.

This year's income threshold is $118,500, up from $117,000 last year. The tax rate is 6.2% for employees and 6.2% for employers. If you're self-employed, you pay the entire 12.4%.

If your wages (including salary and bonuses) meet or exceed the cap and you work for a company, you'll contribute $7,347, or half your obligation to the Social Security program, which covers old-age, survivor's and disability insurance. Your employer matches that. The self-employed contribution sits at $14,694.

The Social Security wage limits have surged 24% since 2005 and are up roughly 11% since 2011, after lingering at $106,800 for three straight years.

Medicare's hospital-insurance rates, at 1.45% for employers and employees, and 2.9% for the self-employed, have not had caps on taxable earnings since 1993. What's more, Medicare takes a bigger bite out of high-wage earners, thanks to the Affordable Care Act, or Obamacare. The tax, which employers are not required to share, levies an extra 0.9% on gross pay exceeding $200,000.

Employers must withhold the extra 0.9%, but employees could end up owing it at tax time: If both spouses make $150,000, the employer won't withhold it. Married couples, whether filing separately or jointly, have different thresholds: $250,000 if filing jointly and $125,000 if filing separately.

If you're getting Social Security benefits and still working, the earnings-test exempt levels rise but the formula stays the same. One dollar in benefits will be withheld in 2015 for every $2 grossed above $15,720 a year, or $1,310 a month, up 1.6% from last year's $15,480 annual income, or $1,290 monthly.

Your Contacts

Websites and telephone numbers for citizens applying for or inquiring about their benefits

Railroad Retirement Board
General benefits information, including information on retirement, survivor and disability benefits; unemployment and sickness benefits; income tax and Medicare:
rrb.gov
877-772-5772

Social Security
General information:
socialsecurity.gov
800-772-1213
800-325-0778
(deaf or hard of hearing)

New or replacement card:
ssa.gov/ssnumber

Retirement benefits, to apply or check your application status:
ssa.gov/pgm/retirement.htm

Disability benefits, to apply or check your application status:
ssa.gov/disabilityssi
disability.gov

Survivors benefits:
ssa.gov/pgm/survivors.htm

Same-sex couples:
ssa.gov/people/same-sexcouples

Veterans Affairs
General information:
va.gov

Health-Care information:
va.gov/health

Benefits information, to file an electronic claim or to check your claims status:
benefits.va.gov

Wounded warriors:
socialsecurity.gov/people/veterans

Information on burial or the National Cemetery Administration:
cem.va.gov

Veterans Crisis Line:
800-273-8255

Q: I'm 68 and began receiving Social Security benefits at age 62. I continued to work and exceeded the annual earnings ceiling two of those years, reducing my benefits $1 for every $2 earned.

Now that I am at full retirement age, are my benefits recalculated based upon benefits that were withheld from me? My current earnings are greater than my earlier earnings that were used to calculate my benefits. Is there a new "40-year look-back" period to recalculate my benefits? How does one go about getting this done?

—Sam C., Collierville, Tenn.

A: The math for calculating your basic benefit is knotty but SSA uses 35 years of your highest earnings, not 40, to get there. They don't have to be consecutive years, either. Because you began receiving benefits before your full retirement age (FRA), your basic disbursement was reduced by about 30%.

But you kept working and in the process pulled up your earnings profile and continued to ante into the Social Security pot. As a result, SSA recalculates your basic benefit to adjust to the new 35 years of highest earnings and then reworks those numbers to account for the months when benefits were reduced or withheld, giving you a higher monthly check.

SSA is supposed to do this automatically each year and when you reached 66, your FRA. If you haven't seen larger checks, contact the agency.

A note on behalf of **Nancy N. of Vacaville, Calif.**: The 10-year marriage period to collect on your ex-spouse's Social Security benefit applies only to divorcées who haven't remarried before age 60. However, you could remarry and still collect benefits on your first spouse's record if your later marriage ends—either by death, divorce or annulment—but you can't collect on both.

Finally, suggestions abounded on how to avoid the vulnerability created by Social Security numbers on Medicare cards. A sensible approach proffered by many readers, like **Colleen C. of Westminster, Calif.**, and **Robert C., of Lakeway, Texas**, was overwhelmingly favored: White out the first five digits on a color copy of the original and laminate that to carry while you keep the real McCoy safely at home.

Please send questions with your name, phone number and city to **jenwaters@outlook.com**. I can respond only in the column.