



## The Social Side of Retirement

The news is filled with stories about Social Security and its future. But that doesn't get at how each of us manages Social Security in our own lives. Whether you or a loved one are looking at retirement, it is important to include social security in your planning.

To qualify for Social Security, anyone born after 1929 must have earned 40 "credits" during their working years which generally means at least 10 years of work. Most people will pay into the system for closer to 35 years and the more you pay into the system, the more benefits you receive up to specified limits. It is important to note you do not have to earn your credits consecutively. You can stop and start work as needed and continue to build credits.\*

Most people know benefits can begin at age 62 but they don't necessarily know what that means and how best to manage them. This paper is designed to help you get started with those questions.

When it comes to your benefits, there are four major variables that are considered to determine your benefit level. They are:

- Your individual earnings history
- Your age when you claim your benefits
- Marital status
- Longevity

One of the biggest factors to know is what is called the "Full Retirement Age". This is the age when you are eligible to receive your full Social Security Benefit.

*\*Source: Social Security Administration Benefits Planner: Retirement Credits at <http://www.ssa.gov/retire2>*

Year of Birth	Full Retirement Age (FRA)
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Once you know your Full Retirement Age, you can determine your "Primary Insurance Amount". This is the benefit you would receive if you begin receiving retirement benefits at your Full Retirement Age.

This is important because 73% of retired workers today are receiving reduced benefits due to filing before their full retirement age\*. So what is a person to do?

The good news is there is help! The Social Security Administration website has several tools to help you find the information you need. The Retirement Estimator has limited information but can get you started on determining what you need to know. In addition, "My Social Security" is a link on the site that will allow you to set up an account and download a full report of benefits.

On page 2 of the report, you will see your estimated benefits at several different ages. These benefits are called your Primary

*\* Source: Annual 2013 Statistical Supplement to the Social Security Bulletin, Social Security Administration, released February 2014  
<http://www.ssa.gov/policy/docs/statcomps/supplement/>*



## Plan >> Transition >> Retire

You will see your earnings history on page 4 of the report which have been used to calculate the benefit level at each age. Review your earnings history to make sure it is correct!

We mentioned that marital status was a factor to consider in managing your social security benefits. Why is that? When it comes to social security, you only collect benefits while you are alive which is to say that if you or your spouse passes, the surviving individual does not receive both benefits. But they can receive the higher benefit of the two.

While you may think your options are limited, if we take an example of a couple who were both born in 1953, they have 81 different age filing combinations between ages 62 and 70. They also have seven different filing strategies available as a married couple which means they have 567 different ways to receive their benefits between ages 62 and 70!

But what if you have gotten divorced? The Social Security Administration makes a provision for that as well. If you were married at least 10 years and have been divorced for 2 years or more, as soon as you are both eligible you can file for benefits at your ex-spouse's benefit level.

The purpose of Social Security is to provide benefits after you cease working. It is important to keep in mind if you keep working after you begin receiving benefits, your income will influence your benefit amount until you reach your full retirement age. If you have not reached your full retirement age, one dollar in benefits will be withheld for every two dollars that you earn through employment that exceed the earnings threshold which can be found on the Social Security Administration website. In addition, the year you reach full retirement age changes to one dollar in benefits withheld for

every three dollars you earn that exceeds the threshold. The good news is if you continue working past your full retirement age, there is no earnings test applied.

When it comes to your retirement, Social Security can play an important role in your planning and decision-making. Each situation is unique and a tailored solution is ideal. Working with a financial planner knowledgeable in social security can mean a significant difference in your income after retirement. Understanding your options and considering your full retirement age, earnings, marital status and longevity are vital to managing this vital income stream long term.



- Mike Piechowiak