# SS QUICK FACTS

A Publication of: GamePlan Financial Advanced Markets

Social Security Quick Facts is designed to provide general information on the subjects covered.

Your Financial Professional is able to provide information, but not guidance or advice related to Social Security benefits.

You should seek guidance from the Social Security Administration regarding your particular situation. For more detailed information, please visit a local Social Security administration office, or visit www.ssa.gov.

Working with your financial professional can help you obtain retirement income from additional sources, such as fixed annuities, so you can understand the choice of options to help control when you retire.

Let's get started with a few key facts:

## 1 How do I determine what my estimated Social Security benefits will be at retirement?

A paper Social Security statement will generally only be mailed to individuals age 60 or older. However, you may go on line to *my Social Security* at www.ssa.gov/myaccount/ to create an on-line account to view and print your Social Security statement. Once enrolled, you will be able to access helpful information such as:

- Estimates of the retirement and disability benefits you may receive
- Estimates of benefits your family may receive when you retire or die
- Your lifetime earnings record according to Social Security
- The estimated Social Security and Medicare taxes you have paid
- The opportunity to apply on-line for retirement or disability benefits
- A printable version of your Social Security statement

## 2 How does life expectancy factor into what my benefits will be and how do I estimate my life expectancy?

In considering when to collect Social Security benefits, one important factor to take into consideration is how long you might live. According to data collected by the Social Security Administration:

- A man reaching age 65 in 2013 can expect to live, on average, until age 84[1]
- A woman reaching age 65 in 2013 can expect to live, on average, until age 86[1]
- To get a more specific estimate of your projected life expectancy based upon your current age, visit the life expectancy calculator on the Social Security Administration website at http://www.socialsecurity.gov/OACT/population/longevity.html.

If, for example, you are in poor health and anticipate a shorter than average life expectancy, applying for Social Security benefits at age 62, even though your benefit will be reduced for taking them before your Full Retirement Age (defined later) may make sense. Conversely, if you expect to live to an average or above average life expectancy, applying for Social Security benefits at Full Retirement Age or delaying commencement of benefits until age 70 to take advantage of potentially higher monthly benefits may provide greater lifetime benefits.

[1] ssa.gov - Retirement Planner: Calculators - Life Expectancy, June 2013

## 3 Will my retirement benefits be adjusted for inflation?

Automatic benefit increases, also known as cost-of-living adjustments (COLAs), have been in effect since 1975. The purpose of the COLA is to help ensure that the purchasing power of Social Security and Supplemental Security Income (SSI) benefits may not be eroded by inflation.

As of 2013, COLA is based upon the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. The COLA for 2013 is 1.7%; for 2012, it was 3.6%.[2]

## 4 What is considered Full Retirement Age (FRA)?

Full Retirement Age is the age at which a person may first become entitled to full or unreduced Social Security retirement benefits. Age 65 has been the full retirement age for Social Security benefits for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959.[3]

## 5 When may I start collecting Social Security benefits for retirement?

- You may apply to receive Social Security retirement benefits as early as age 62. Your monthly benefit will vary depending upon when you elect to begin receiving benefits.[3]
- If you elect to receive benefits before your full retirement age, your benefit will be permanently reduced a fraction of a percent for each month you receive benefits before your full retirement age.[3]
- If you elect to begin receiving benefits past your full retirement age, your benefit will be increased based upon the number of months you do not receive benefits between full retirement age and age 70. This is called a Delayed Retirement Credit (DRC) and may increase your benefit by as much as 8% annually for each year past your full retirement age that you delay starting your retirement benefit. Delayed retirement credits only increase your benefit up to age 70, so there may not be any benefit for delaying your benefit beyond this age.[4]

## 6 May I elect to receive my retirement benefits before I actually retire?

You may elect to receive your retirement benefit as early as age 62. However, if you are younger than full retirement age and earn more than certain amounts (for 2013, that limit is $15,120), your benefits will be reduced. It is important to note that these benefit amounts that were withheld due to excess earnings are not truly lost and your benefit will be recalculated and increased at your full retirement age to account for benefits withheld due to prior earnings. Once you reach full retirement age, your earnings while working no longer reduce your Social Security benefit. For more information on how work affects your benefits, visit http://www.socialsecurity.gov/retire2/whileworking.htm.

## 7 Are my Social Security benefits taxable?

Some people have to pay federal income taxes on their Social Security benefits. This typically only happens if you have substantial income from other sources such as earnings, interest, dividends, and other taxable income in addition to your Social Security benefit. A portion of your Social Security benefits will be taxable if your "combined income" is greater than $25,000 as a single taxpayer or over $32,000 if you file a joint return. For additional information on income taxes and your Social Security benefits, visit www.socialsecurity.gov/planners/taxes.htm.

[2] ssa.gov - Cost-of-Living Adjustment, October 2012
[3] ssa.gov - SSA Retirement Planner: Benefits by Year of Birth, May 2013
[4] ssa.gov - SSA Retirement Planner: Delayed Retirement Credits, April 2013

## 8 What benefits are available to my spouse?

Even if your spouse has never paid taxes into the Social Security system, your spouse may be able to receive benefits if he or she is at least age 62 years old and you are receiving or eligible to receive retirement benefits (and has suspended benefits, defined later). The spousal benefit is equal to 50% of your full retirement age benefit if the benefit commences at your spouse's full retirement age or later. If, however, your spouse collects this benefit prior to his/her full retirement age, the amount will be permanently reduced by a percentage based upon the number of months collected before his/her full retirement age. Also, if your spouse is eligible to receive a worker benefit in addition to a spousal benefit and is under full retirement age, your spouse's worker benefit will pay first. If the spousal benefit is higher, your spouse will receive a combination of the two benefits to equal the higher amount.[5]

## 9 What is a restricted application?

Filing a restricted application allows you to collect half of your spouse's Social Security benefits at your full retirement age and delay collecting your own benefit until age 70. This allows your own retirement benefit to increase by virtue of the delayed retirement credits you will receive for delaying commencement of your own benefit until age 70 (as discussed under Question #5 above). The restricted application technique may work best for two-income couples with similar income and work histories. In order to file a restricted application, you must be at Full Retirement Age and your spouse must be collecting or be eligible to collect benefits and has suspended them (see #10 below).

## 10 What does it mean to "file and suspend" Social Security benefits?

Under this technique, the higher earning member of a married couple files for his/her Social Security benefits and immediately suspends the benefit. File and suspend generally works best when one spouse has little or no work history. By filing and suspending the worker benefit, the non-working or lower income earning spouse is then able to collect spousal benefits. This also allows the income earning spouse to delay commencement of benefits to age 70, thereby taking advantage of delayed retirement credits and increasing his/her own monthly benefit.[5]

## 11 Once I begin receiving benefits, can I later change my mind?

Under certain circumstances, you may be able to "reset" your Social Security benefits. This technique involves withdrawing your earlier Social Security claim for benefits by completing Social Security Form SSA-521 (request for Withdrawal of Application) and reapplying at a future date. If you are receiving Social Security retirement benefits, you cannot withdraw your claim if it has been 12 months or more since you first became entitled to them.

You are also required to pay back the benefits previously paid to you, your spouse or children based on your application in order to withdraw and re-file. Once your withdrawal is approved, when you later re-file, your monthly benefits will be higher because you are older upon re-commencing benefits. You can withdraw and re-pay your Social Security claim only once in your lifetime. Please note there are other considerations, such as Medicare coverage, that should be considered.

If you are unable to re-pay benefits received or if more than 12 months has elapsed since you began to receive them, you may voluntarily elect to suspend future payments to increase the amount you will receive when you begin them again at a later date.[6]

[5] ssa.gov - Retirement Planner: Benefits for Your Spouse, June 2013
[6] ssa.gov - Retirement Planner: If You Change Your Mind, May 2013

## 12 What factors should I consider when deciding when to start drawing Social Security?

A variety of factors should be considered in determining when to begin receiving benefits including health of the recipient (and spouse, if applicable), benefit amounts, age, whether you and/or your spouse continue to work, and other financial resources from which to draw during retirement.

## 13 Can my former spouse receive Social Security benefits based upon my earnings record?

Your former spouse may qualify for benefits under your record if certain conditions apply:

- You are entitled to benefits or, if you are entitled to benefits and have not yet applied;
- You were married for at least 10 years, and you have been divorced for at least 2 years;
- Your former spouse is at least 62 years old;
- Your former spouse is unmarried;
- Your former spouse is not eligible for an equal or higher benefit on his or her own Social Security record, or on someone else's Social Security record.

Also note that the amount of benefits payable to a former spouse has no effect on the amount of benefits for you or your current spouse, if applicable.[7]

## 14 If I am eligible for a worker benefit and also receive a pension from earnings not covered by Social Security, will this affect the amount I receive from Social Security?

If you have worked for a federal, state or local government agency that provides you with a pension based upon earnings not covered by Social Security, your benefits may be affected. If you think that this may be the case and to see the maximum amount that your social security benefit may be reduced, visit: www.socialsecurity.gov/retire2/wep-chart.htm.

Your benefits as a spouse or widower may also be affected under the Government Pension Offset provision.[8]

For more information, please visit: www.socialsecurity.gov/retire2/gpo-calc.htm.

[7] ssa.gov - Retirement Planner: Benefits For Your Divorced Spouse, June 2013

[8] ssa.gov - Retirement Planner: How The Windfall Elimination Provision Can Affect Your Social Security Benefit, April 2013