

# Intro to Social Security Retirement Income



# What You will Learn

- Social Security payments are not automatic
- Social Security Planning is important for your financial security in retirement
- Planning can get complicated and you may need help
- You may leave money on the table if you do not plan
- Social Security employees do not have all the answers

# Terms to Know

- FRA – Full Retirement Age
  - Age 66 if born between 1943 and 1954
  - Two months added to age 66 for each year between 1955 and 1959
  - Age 67 if born in 1960 or later
- PIA – Primary Insurance Amount
  - Benefit amount computed at age 62 that will be paid at FRA
- COLA – Cost of Living Adjustment
  - Percent of increase in benefit
  - Declared in October and paid beginning in January of the following year\*

*\*Amount is based on the increase in the Consumer Price Index.  
Social Security Trustees use 2.8% in their planning*

# Social Security Retirement

- Lifetime benefits
- Cost of Living Adjustments

# Who Can Collect?

- Worker (number holder)
- Spouse
- Divorced Spouse
- Surviving Spouse

# Worker

- Amount depends on earnings while working and the age when benefits begin
- Weighted average of top 35 earning years - the PIA
- Minimum age to collect is 62 – reduced benefit
- Maximum age 70
- Between FRA and age 70 amount increases by 8%\* plus COLA

*\* called Delayed Credits*

# Current Spouse

- Worker must be at FRA
- Worker must file – but can file and suspend
- Entitled to 50% of Worker's PIA at Spouse's age 66
- Entitled to 35% of Worker's PIA at Spouse's age 62

# Divorced Spouse

- Worker must be age 62
- Marriage must have lasted for 10 years
- Spouse must be currently unmarried
- Entitled to 50% of Worker's PIA at Spouse's age 66
- Entitled to 35% of Worker's PIA at Spouse's age 62
- Worker will not be notified
- Both divorced spouses can collect on each others record

# Survivor

- Must have been married for 9 months
- Not available if Survivor remarries before age 60
- Entitled to 100% of the Worker Spouse's benefit at Survivor's age 60 (50 if disabled)
- Divorced Spouse Survivor benefit is available if marriage lasted 10 years

# Earnings Test

- If collecting before FRA, \$1 in benefits will be withheld for every \$2 that is earned over \$15,480 (in 2014)
- No Earnings Test after FRA

# Income Tax

- A portion of Social Security may be subject to Income Tax
- The amount and the rate will depend on other income

# Worker Planning – Should you wait?

- Example of benefit amounts **at different beginning ages:**\*
  - Age 62 \$1,125
  - Age 66 \$1,675
  - Age 70 \$2,470
  
- Example of benefit amounts **at age 80 for different beginning ages:**\*
  - Age 62 \$1,849
  - Age 66 \$2,460
  - Age 70 \$3,255

*\*Assumes 2.8% COLA and 8% Delayed Credit*

# Spousal Planning Options

- One spouse takes Spousal Benefits at Worker's FRA
- Both take their own Worker benefit at age 70
- Decision depends on: PIAs, difference in ages, income and life expectancy



# Survivor Planning Options

- Collect Survivor Benefits to age 70, then switch to own worker benefit
- Collect Divorced Spouse benefits, then switch to Survivor or own worker benefit
- Collect Worker benefits, then switch to Survivor benefit
- Decision depends on PIAs, age, need for income, retired or working, if currently married

# What you Learned about Social Security Retirement Planning

- Work longer for increased benefits
- Delay collecting for increased benefits
- Survivor Benefits are meaningful for lower earning spouse
- Decision about when to collect is individual – many factors
- There are pitfalls to claiming before FRA
- Some decisions are reversible, some are not
- These decisions are complicated. You may need help



# www.ssa.gov

- You can get projected benefits at the Social Security website
- Click on Estimated Benefits and enter your info
- You can print your statement - they are no longer being mailed
- Social Security employees are trained to help you get the highest benefit
- You may not want the highest benefit – if you are planning on delaying and switching later



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