

# Introduction to Social Security Retirement Income Benefits

What you need to know to plan for your retirement



# Social Security: History & Background

- Originally called the 'Old Age and Survivor's Insurance' program, President Franklin D. Roosevelt signed the Economic Security Act on August 14, 1935
- This program was intended to supplement retirement savings and act as 'insurance' against people outliving their savings due to longevity
- The program started in January 1937, with the current program of on-going monthly payments beginning in 1940



# What Does Social Security Provide?

- Retirement benefits
- Survivor benefits
- Divorced spousal benefits
- Disability benefits
- Supplementary Security Income



# Retirement Benefit Eligibility – Who Qualifies & When?

- **Work Credits for Eligibility:**

You must have a *minimum* number of work credits in order to qualify for retirement benefits , dependent on your year of birth:

- If you were born in 1929 or later, you need **40** credits (*10 years of work*).
- For the year 2012, you must earn \$1,130 in covered earnings to get **one** Social Security or Medicare work credit, and \$4,520 to get the *maximum four* credits for the year.
- For 2013, social security taxes (6.2%) are imposed on earnings up to \$113,700.

- **Full retirement age (FRA):** The age at which a person may first become entitled to full (or unreduced) retirement benefits. The FRA depends on your *birth year*
- **Early retirement:** The earliest you can start receiving Social Security retirement benefits (reduced) is generally age 62, unless you are disabled & qualify for disability benefits



# Full Retirement and Age 62 Benefit By Year Of Birth

Year of Birth <sup>1.</sup>	Full (normal) Retirement Age	Months between age 62 and full retirement age <sup>2.</sup>	At Age 62 <sup>3.</sup>			
			A \$1000 retirement benefit would be reduced to	The retirement benefit is reduced by <sup>4.</sup>	A \$500 spouse's benefit would be reduced to	The spouse's benefit is reduced by <sup>5.</sup>
1937 or earlier	65	36	\$800	20.00%	\$375	25.00%
1938	65 and 2 months	38	\$791	20.83%	\$370	25.83%
1939	65 and 4 months	40	\$783	21.67%	\$366	26.67%
1940	65 and 6 months	42	\$775	22.50%	\$362	27.50%
1941	65 and 8 months	44	\$766	23.33%	\$358	28.33%
1942	65 and 10 months	46	\$758	24.17%	\$354	29.17%
1943-1954	66	48	\$750	25.00%	\$350	30.00%
1955	66 and 2 months	50	\$741	25.83%	\$345	30.83%
1956	66 and 4 months	52	\$733	26.67%	\$341	31.67%
1957	66 and 6 months	54	\$725	27.50%	\$337	32.50%
1958	66 and 8 months	56	\$716	28.33%	\$333	33.33%
1959	66 and 10 months	58	\$708	29.17%	\$329	34.17%
1960 and later	67	60	\$700	30.00%	\$325	35.00%

Source: [www.socialsecurity.gov](http://www.socialsecurity.gov)



# Common Planning Issues to Consider & When to Apply for Benefits

## Issues to consider:

(assuming eligibility for benefits)

- Current health: i.e. Medicare
- Family history/longevity
- Work status: i.e.: unemployed, or continued employment
- Spousal (income) needs & coordinating Spousal benefits
- Divorced spousal benefits
- Working while receiving benefits



# Strategies to Optimize Social Security Benefits

- Timing of application for benefits
- —“File and Suspend” (for spousal benefits)
- Delaying Retirement Benefit application
- Withdrawing a benefit application, repaying benefits and —“starting over” at a later date



# How are My Retirement Benefits Calculated?

- Primary Insurance Amount (PIA): typically at **FRA** (full retirement age, assuming the minimum # of work credits have been earned), a single retiree will receive his/her PIA.
- Retiring *before* FRA: benefits are decreased by *5/9 percent* of PIA/month for the first 36 months, plus *5/12 percent* of PIA for each additional month.
- For a \$1000 PIA (1960 or later birth year), the resulting benefit would be **\$700/month** or a *30% reduction*, if retiring at age 62. The breakeven point (to makeup for reduced benefits) would be at ~ age 77.5 yrs.



# How are My Retirement Benefits Calculated?

- **Delaying Retirement Credits (DRC):** by delaying the filing of retirement benefits past FRA, the future payments can increase by as much as 8% per year through DRC (see table on slide 8), up to age 70:
  - A \$1000/month PIA, for (a retiree born 1943 or later, becomes \$1240/month, or 24% more, 3 yrs later, plus any COLAs – cost of living adjustments).
- **Repay benefits & “Start Over”:** a one-time opportunity to withdraw a benefit application, repay benefits and start over at a later date.



# Delayed Retirement Credits (DRCs)

Increase for Delayed Retirement		
Year of Birth*	Yearly Rate of Increase	Monthly Rate of Increase
1933-1934	5.5%	11/24 of 1%
1935-1936	6.0%	1/2 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7.0%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8.0%	2/3 of 1%

Note: If you were born on January 1st, you should refer to the rate of increase for the previous year.

Source: [www.socialsecurity.gov](http://www.socialsecurity.gov)



FEDERAL OCCUPATIONAL HEALTH

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

# Coordinating Spousal Benefits

## Spousal Benefit

- Equals 50% of the spouse's monthly benefit (if collected at FRA) , and can be collected as early as your FRA;
- If eligible for spouse's benefit *and* their own retirement benefit at FRA – can choose to receive *only spouse's benefit*, (and then later switch their benefit to that based on their own work record at a later date).
- If choosing to collect spouse's benefit early (i.e. age 62) & don't qualify for benefits on their own record, their (spouse's) benefit is subject to permanent reductions (according to table on slide 5: for a spouse born 1960 or later, their \$500 benefit would become \$325, or a *35% reduction*).

## :File and Suspend”

- If you are at FRA & still working, it is possible to apply for benefits (so the current spouse can collect the spouse's benefit), and then immediately suspend the benefit, then reapply at a later date.



# Working While Receiving Benefits

- While you are working, your earnings will *reduce* your benefit amount only until you reach your FRA (full retirement age):
  - If you are *under* FRA for the entire year: \$1 for every \$2 earned above the annual limit is *deducted* from benefit payments.
  - In the year when FRA is attained: the deduction \$1 in benefits for every \$3 you earn (*above* a different limit).
  - Starting with the month FRA is reached, *no* benefit deductions are made at *any* earnings level.
- The benefits of DRC (Delayed Retirement Credits) accrue when working past FRA (see slide 8), until age 70.



# Related Social Security Benefits

- Surviving Spouse
- Surviving Children
  - Surviving Dependent
  - Special Lump Sum Payment
- Divorced Spousal Benefit
- Disability
- Supplemental Security Income



# Surviving Spouse

- Can receive reduced benefits as early as age 60, assuming no eligible children (children under 16, or caring for disabled children of any age)
- If (at any age), one is caring for a child *under 16* or *disabled*, they are entitled to **75%** of the deceased spouse's benefit amount
- At *their* FRA (full retirement age), the widow/widower can receive **100%** of their deceased spouse's benefit amount.



# Surviving Children & Dependents

## Surviving Children

- A child under age 18 (or 19, if still in secondary school), is eligible to collect a benefit of **75%** of their deceased parent's benefit amount
- A disabled child can get benefits at *any age*, if he or she was disabled before age 22, and remains disabled

## Surviving Dependent Parent(s): aged 62 or older

- If one surviving parent: 82.5% of deceased child's benefit
- If two surviving parents: 75% to each parent
- Special lump sum payment: A surviving spouse or child may receive a special lump-sum death payment of \$255 (if they meet certain requirements)



# Divorced Spousal Benefit

**A divorced ex-spouse qualifies for benefits under the ex-spouse's record if:**

- The marriage lasted at least 10 years, & divorced at least 2 years
- Is now unmarried (or a widow/widower), or remarried after age 60 (age 50, if disabled)
- Not eligible for an *equal or higher* benefit based on his or her own work or someone else's work
- If the ex-spouse applies for benefits before his or her FRA, the benefits will be permanently *reduced*.



# Other Social Security Benefit Programs

## Disability

To qualify for disability benefits, one must:

- have earned the required number of work credits - generally, you need 40 credits, 20 of which were earned in the *last 10 years* ending with the year you become disabled.
- meet the 'definition' of disability (consult [socialsecurity.gov](http://socialsecurity.gov) for details)

## Supplemental Security Income

The Supplemental Security Income (SSI) program pays benefits to disabled adults and children who have limited income and resources.



# Let WorkLife4You Make Your Life a Little Easier!

**Contact WorkLife4You 24/7:**

**1-877-WL4-NOAA (1-877-954-6622)**  
(TTY 800-873-1322)

**<http://www.worklife4you.com>**

— Look for the Member Login box  
— Not a registered member yet? Follow  
the **–Start Now**” link and enter  
Registration Code: **noaa**





**Improving the health, safety, and  
productivity of our federal employees.**