

# Social Security Administration



# Payroll (FICA) Tax

- **6.2 % Social Security tax**
  - *taxed on earnings up to \$113,700*
- **1.45% Medicare tax**
  - *taxed on all earnings*



# Paying FICA Tax Earns You Needed “Credits”



- Can earn up to four credits yearly
- \$1,160 FICA earnings = one credit
- 40 credits needed for retirement

# When Should You Start Receiving Your Benefits?



# When Should You Start Receiving Your Benefits?

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- Do you want to begin receiving sooner but get less money?



# When Should You Start Receiving Your Benefits?

- Do you want to begin receiving sooner but get less money?

*or*



- Do you want to wait and get more money?



# When Should You Start Receiving Your Benefits?



- To receive 100% benefit, must wait until you reach your Full Retirement Age to collect
- FRA is anywhere from 66 to 67, determined by year of birth

# When Should You Start Receiving Your Benefits?



- Or ... instead of waiting until FRA, you can start benefits as early as age 62
- Starting early reduces your benefit
  - *get it sooner, but percentage lower*
  - *range from 70% to 99%+*

**Born**

**FRA**

**Pct at 62**

1943-54

66

75%

1955

66 & 2 months

74.2%

1956

66 & 4 months

73.3%

1957

66 & 6 months

72.5%

1958

66 & 8 months

71.7%

1959

66 & 10 months

70.8%

1960+

67

70%

# Receiving 100% plus: Delaying Retirement



- If you delay receiving your retirement benefit until after FRA, you receive increase
- 8% annual increase; stops at age 70
- Re your family, increase passed along only to widow(er)

# Your Benefit based on Averaging Lifetime Earnings



# Your Benefit based on Averaging Lifetime Earnings



1. Multiple earnings  
by indexing factor  
to bring up to  
today's dollars

# Your Benefit based on Averaging Lifetime Earnings



1. Multiple earnings by index factor
2. **Select 35 highest years**

# Your Benefit based on Averaging Lifetime Earnings



1. Multiple earnings by index factor
2. Select 35 highest years
3. Divide total earnings by 420

# Your Benefit based on Averaging Lifetime Earnings



1. Multiple earnings by index factor
2. Select 35 highest years
3. Divide total earnings by 420
- 4. Apportion monthly figure;  
result is FRA benefit**

# Getting Benefit Estimate:

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



- Use *Retirement Estimator*  
or
- Register for your personal  
*MySocialSecurity* account



# Social Security

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**NEW** [Get your Social Security Statement online](#)

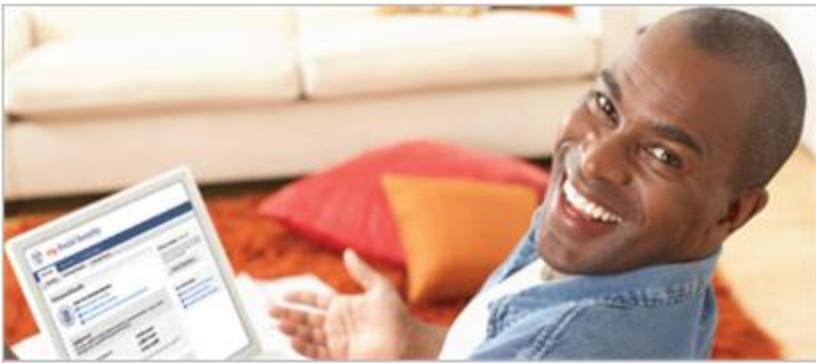
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Frequently Asked Questions



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## Plan Your Retirement

[\(En Español\)](#)

A secure, comfortable retirement is every worker's dream. And now because we're living longer, healthier lives, we can expect to spend more time in retirement than our parents and grandparents did.

Achieving the dream of a secure, comfortable retirement is much easier when you plan your finances.

### How the Social Security Retirement Planner can help you now

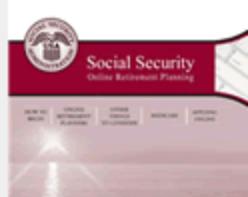
This planner provides detailed information about your Social Security retirement benefits **under current law**. It also points out things you may want to consider as you prepare for the future.

If you are:

- Looking for information, you can:
  - [Find your retirement age](#),
  - [Estimate your life expectancy](#),
  - Use our [Retirement Estimator](#) and our other [benefit calculators](#) to test different retirement ages or future earnings amounts,
  - [Learn about Social Security programs](#)

Depending on what you own and how much income you have, you may be eligible for [Supplemental Security Income](#) (SSI) when you are 65 or older.

You also may be eligible for SSI prior to age 65 if you are [disabled or blind](#).



[View a demo of the Online Retirement Planning CD.](#) (May, 2010).



### Third Scenario

**Stop Work Age:**

Select the age at which you will stop working.

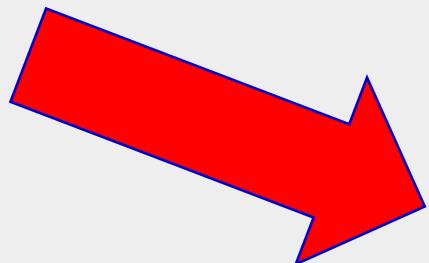
67

**Average Future Annual Earnings:**

Estimate your average annual earnings up to your stop work age.

\$ 47,000

Example: 40000 or 40,000 or 0



**Create Scenarios**

**Scenario Results**

No.	Stop Work Age	Future Earnings	Monthly Benefit	As of
1	64	\$42,000.00	\$857.00	Age 64
2	65	\$45,000.00	\$974.00	Age 65
3	67	\$47,000.00	\$1,164.00	Age 67

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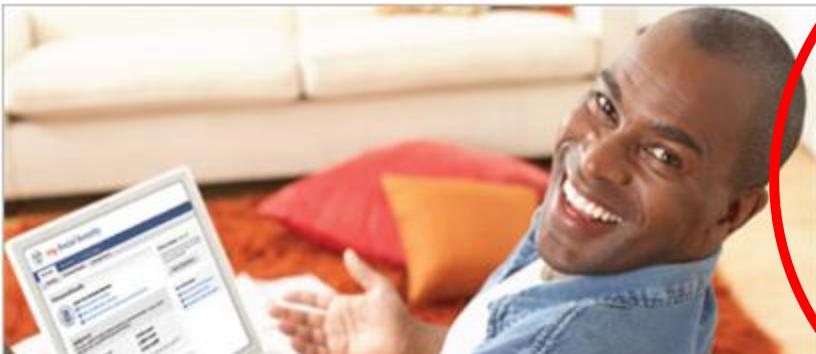
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## Get Your Social Security Statement Online

Now you can get your Social Security Statement online. It provides:

- Estimates of the retirement and disability benefits you may receive;
- Estimates of benefits your family may get when you receive Social Security or die;
- A list of your lifetime earnings according to Social Security's records;
- The estimated Social Security and Medicare taxes you've paid;
- Information about qualifying and signing up for Medicare;
- Things to consider for those age 55 and older who are thinking of retiring;
- General information about Social Security for everyone;
- The opportunity to apply online for retirement and disability benefits; and
- A printable version of your Social Security Statement.

### **How Do I Get My Statement Online?**

To get your Statement online, you must first create a *my Social Security* account with us. Once you have an account, you can view your Social Security Statement at any time.

### **What Should I Do To Create A *my Social Security* Account?**

To create an account, you must provide some personal information



### **Related Information**

[How We Verify And Protect Your Identity](#)

### **Video**



**My Social Security**

# You must Register to Get Online Statement

- Must create *MySocialSecurity* account
- Then can view your *Statement* any time

Sign In or Create an Account OMB No. 0960-0789  
Paperwork Reduction Act

**New Users**

You must be able to verify some information about yourself and:

- have a valid email address,
- have a Social Security Number,
- have a U.S. mailing address, and
- be at least 18 years of age.



[Create An Account](#) [Learn More](#)

**Existing Users**

Username:  [Forgot Username](#)

Password:  [Forgot Password](#)

[Sign In](#)

# Requirements for Online Statement



**Must be at least 18 old & have:**

- **Valid E-mail address**
- **U.S. mailing address**

# FYI – Just Some Numbers ....



- 2013 maximum benefit,  
retiring at 66: **\$2,556**
- Average retiree benefit,  
all recipients: **\$1,261**



# Big Question: When to Take Benefits?

- Ultimately, it's your call
- But, consider ...
  - *Longevity*
  - *Taxation*
  - *Family benefits (now/future)*
  - *Finances*
  - *Lifestyle*



## Near retirement?

[\(En Español\)](#)

You may wish to review directly some of the subjects offered here or we can guide you [step by step through the retirement process](#).

- [\*\*Social Security Statement\*\*](#)

- [Request form](#)

- [\*\*Benefit Calculators\*\*](#)

- [Retirement Estimator](#)

- [Quick Calculator](#)

- [Online Calculator](#)

- [Online Windfall Elimination Calculator \(WEP\)](#)

- [Detailed Benefits Calculator](#)

- [\*\*Other Calculators\*\*](#)

- [Earnings limit](#)

- [Effect of early or late retirement \(Wage earner\)](#)

- [Effect of early retirement \(Spouse\)](#)

- [Government Pension Offset \(GPO\)](#)

- [Life expectancy](#)

- [Retirement age](#)

- [\*\*Credits\*\*](#)

- [How credits are earned](#)

- [Retirement credits](#)

- [Disability credits](#)

- [Survivors credits](#)

- [Delayed retirement credits](#)

- [\*\*Applying for benefits\*\*](#)

- [When to start](#)

- [Benefits before full retirement age](#)

- [Full retirement age](#)

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- [Retirement benefits by year \(includes examples\)](#)

- [The difference between retirement age & stop work age](#)

- [Work and benefits](#)

- [Examples](#)

- [Benefit recomputation at retirement age](#)

- [Documents you need](#)

- [Are you ready to apply?](#)

- [Is it time to apply?](#)

- [Other things to consider](#)

- [Life Expectancy / Longevity](#)

- [If you change your mind](#)

- [\*\*Benefits on other records\*\*](#)

- [\*\*Family benefits\*\*](#)

- [Spouse benefits](#)

# Filing Your Application



- Begin 2 - 3 months before you want to receive payment
- Can file online ... *socialsecurity.gov*
- Or ... set up telephone or in-office appointment ... call 1-800-772-1213
  - *available business days, 7:00 a.m. to 7:00 p.m.*

# Information, Documents Needed for Filing



- Social Security Number, each applicant
- Birth certificate (*maybe*)
- W-2 or self-employment tax return
- Information re marriages, divorces, military service, railroad employment
- Future earnings estimate
- Bank information for direct deposit

# Check Day is Wednesday



- Born 1<sup>st</sup> to 10<sup>th</sup>

*Second Wednesday*

- Born 11<sup>th</sup> to 20<sup>th</sup>

*Third Wednesday*

- Born 21<sup>st</sup> to 31<sup>st</sup>

*Fourth Wednesday*

# If Receiving Benefits While Working, Keep in Mind ....



- If you're younger than FRA & you earn over certain amount, benefit will be reduced
- Upon reaching your FRA month (66 – 67), full benefit paid regardless of earnings

# Prior to FRA, Two Earnings Limits May Apply:

1. From 62 until FRA year
2. In FRA year, from January thru month prior to FRA month



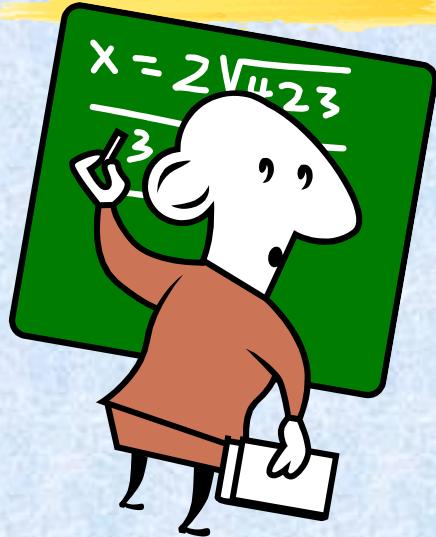
*E.g.: if June is FRA month,  
only earnings from Jan. - May count*

# 1. Working anytime from 62 up to FRA Year



- **\$15,120 yearly earnings limit**
  - *refers to wages, self-employment*
  - *pensions, dividends, investments don't count*
- **If you earn more, Social Security withholds \$1 for every \$2 over**

# *Example:* Working anytime from 62 to FRA Year



**$\$25,120$  earnings  
-  $\$15,120$  allowable**  
 **$\$10,000$  over**

- Results in **\$5,000 benefits withheld**
- If person was to receive **\$1,000 monthly, first five months of benefits withheld**

## 2. Working in FRA year



- \$40,080 limit only for months before FRA month  
*(e.g., if FRA month is June, limit applies from January thru May)*
- If you earn more, Social Security withholds \$1 for every \$3 over

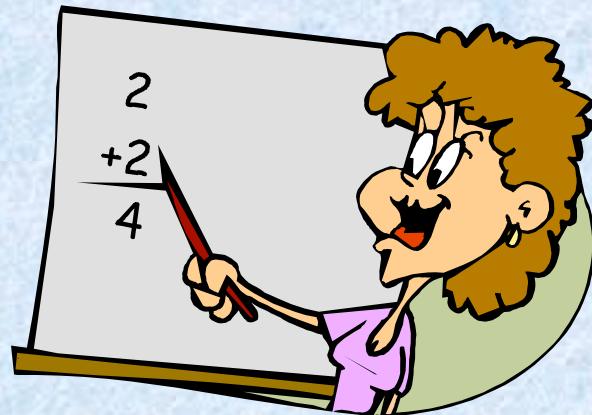
# *Example –*

## Working in FRA Year

**\$50,880 earned before FRA month**

**-\$40,080 allowable**

**\$10,800 over**



- Results in \$3,600 benefits withheld**
- If person was to receive \$1,200 monthly, first three months of benefits withheld**

- Monthly Earnings Rule;

## Can be used in One Year Only



- Count earnings month-by-month, not yearly
- Divide yearly limit by 12
  - prior to FRA year, monthly limit is \$1,260 monthly
  - in FRA year, monthly limit is \$3,340
- Usually used first year of retirement

# Example: One-Time *Monthly* Earnings Rule

63 year-old worker in 2013

Jan. thru August - \$7,000 earnings monthly

Total earnings: \$56,000

No earnings rest of year

# Example: One-Time *Monthly* Earnings Rule



63 year-old worker in 2013  
Jan. thru August - \$7,000 earnings monthly  
Total earnings: \$56,000  
No earnings rest of year

Despite earning \$56,000, will receive  
full benefits for Sept. thru Dec.  
because earnings each month *under* \$1,260

# If You had Non-Pay Months Due to Work Deductions....



- Benefit will be recalculated at FRA & increased as of next year
- Example: – *You filed at 62;*
  - *by age 66, should've received 48 checks*
  - *but, due to work deductions only got 36*
  - *so, at close of age 66 year, benefit percentage refigured from 75% to 80%*

# Just Remember...



- **It's all about the math**
  - working at 62+ doesn't mean you can't get a benefit
- **Is 100% best?**
  - in FRA year, consider whether taking benefit in January makes financial sense

# Receiving Benefit based on the Work of a Family Member



- To receive based on the work of family member, the worker must either:
  - *have filed for his/her own benefit (retirement or disability)*  
*or*
  - *be deceased, but have worked enough to be insured*

# Benefit Requirements for Married Spouse (Life Case)

- Age 62
- Can be younger if caring for entitled child under 16 or disabled
- Married one year, or be parent of worker's child



# Benefit for Married Spouse (Life Case)



- Receives anywhere from 32.5% to maximum of 50% of worker's full benefit
- Percentage depends on age of spouse when filing claim  
*Worker's FRA benefit:* \$2200  
*Spouse filing at FRA:* \$1100



# Divorced Spouse (Life Case)



- Minimum Age 62  
if no child in care
- Married at least 10 years
- Currently unmarried

# Independently Entitled Divorced Spouse (Life Case)

- Can receive even though
  - ex not receiving
- Requirements:
  - *ex-spouse at least 62*
  - *you meet other requirements, but also must be divorced for at least two years*

# If You're Filing for Spouse's Benefit Prior to Your FRA ....



- If you have worked enough yourself, you must first file for retirement based on your own work
- ... Then, if due additional benefits as a spouse, you will receive that

# Example – Mary Files Prior to her FRA ....

Mary is due \$600 based on her own work;  
her spouse's benefit is \$700

She will receive \$700 total:

- \$600 *on own record*
- \$100 *spouse's benefit for difference*

- Note - If she was due \$701 on own record,  
then no spouse's benefit due

# However ...

## If Mary Files at or after FRA ....

- She can “*restrict*” application to spouse’s benefits only
- By restricting , she receives spouse’s benefit of \$700
- Meanwhile, her \$600 retirement increasing by 8% yearly
- If she waits full four years before switching, her retirement increases 32%, going from \$600 to \$792

# Widow(er)'s Benefit



- Age 60, or any age if caring for entitled child under 16 or disabled
  - &
  - married 9 months, or be parent of worker's child
- Must be single, or remarried after 60

# Widow(er)'s Benefit



- Receives anywhere from 71.5% to 100% of deceased's full benefit, based on widow(er)'s age at filing
- Exception: if deceased took early retirement, benefit limited to his amount

# Strategy: Decision re Taking Widow(er)s Benefits



- Unlike spouse rules prior to FRA, widow(er) can “restrict” application
- E.g.: *Widow, 60, receives \$700; FRA is 66; at 62, eligible for own ret. of \$750; Should she switch to her own?*

# Strategy: Decision re Taking Widow(er)s Benefits

- Unlike spouse rules prior to FRA, widow(er) *can* restrict application
- E.g. :

*Consider that if she stays with \$700  
as a widow,  
& switches to her own at 66,  
she will get a full ret. benefit of \$1,000*

# Child's Benefits

- Paid up to age 18
- Extended if full-time student in elementary/secondary school when turning 18; but 19 cut-off
- Over 18 (*Disabled Adult Child*)
  - *disabled before 22*



# Categories of Entitled Children



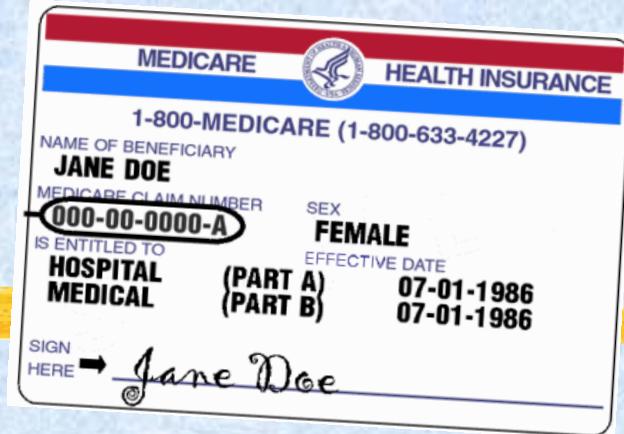
- **Biological, adopted child**
- **Stepchild, based on stepparent 's work**
  - *parents married 1 year (life case)  
or 9 months (death case)*
  - *one-half support required*
- **Grandchild, based on grandparent's work**
  - *parents deceased/disabled*
  - *lived with, one-half support for year*

# Child's Benefit Percentages



- **If parent alive**, child receives 50% of parent's full benefit
- **If parent deceased**, child receives 75% of parent's full benefit
- *Note: Family benefits capped at 150% to 180% of worker's full benefit; divided in proportion*

# Medicare



- Federal health insurance program administered by Centers for Medicare & Medicaid Services (CMS)
- You apply with SSA ... we make eligibility determination, take steps to have card issued

# Medicare – Who Gets It?

- **65 or older**
  - *eligible for Soc. Sec. benefits, or*
  - *worked 10 years for government entity, paid Medicare tax*
- **Under 65**
  - *entitled to Soc. Sec. disb. 24 months (no waiting period for ALS)*  
*or*  
  - *kidney failure (& insured for benefits)*

# Part A - Hospital Ins.



- Covers inpatient care in hospital, skilled nursing facility, some home health care, hospice; but .... not long-term care
- Length of inpatient stay dictates how much Medicare covers
- No premium; financed by 1.45% tax

# Part B – Medical Ins.

- Outpatient procedures, medical supplies
- \$104.90 standard monthly premium  
*.... singles with income \$85K+, couples with \$170K+ pay more*
- May not need if still working



# Need More Coverage? Consider Part C or Medigap Policy

- **Part C is Medicare Advantage Plan;** choose from private providers that offer various types of coverage (*e.g., HMO*)
  - pay Part B premium & plan premium; lower out-of-pocket costs, more coverage
- **Original Medicare:** this is fee-for-service; also, pick a Medigap supplemental policy

# Part D – Prescription Drug Coverage

- Open to *all* Medicare recipients
- Plans offered by private companies; enroll directly with company; but, first compare current plan
- “Extra Help” available thru SSA for those with limited income, assets



# Before taking Medicare, remember ...



- Part A is free
- Part B costs \$104.90 (*or more*)
- Main factor is whether you/spouse are working & covered by employer group health plan

# Getting on Medicare at 65 - Both You, Spouse Not Working



- If on **Social Security** prior to 65,
  - card sent three months prior to 65
    - if you want Medicare, just sign card; coverage begins 65<sup>th</sup> birthday month
- If **not** receiving benefits at 65, have 7-month window to file  
*(the 3 months before 65<sup>th</sup> b-day month, 65<sup>th</sup> b-day month, the 3 months after)*

# **Delaying Part B - You/Spouse Working, Covered by Employer's Medical Plan**



- You can, should delay Part B when still working ...
  - because ... you don't want to be paying twice  
*(work & \$104.90 Part B)* for same type of coverage

# **Delaying Part B - You/Spouse Working, Covered by Employer's Medical Plan**

- **Part A – check with HR dept. first**
  - *may help with work deductible*
  - *discounted SEPTA fares*
- **Part B filing can be delayed until either:**
  - *you/spouse stop working, or ...*
  - *employer coverage ends*
  - **then, usually file in last month of work**

# Three Strategic Options

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- **File & suspend – only at FRA**
  - *if you're at FRA but not receiving, your spouse 62+ could receive on your record; meanwhile, your benefit pct. increasing*

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- **File & suspend – only at FRA**
  - *if you're at FRA but not receiving, your spouse 62+ could receive on your record; meanwhile, your benefit pct. increasing*
- **Restricting application – only at FRA**
  - *if at FRA, allows you to receive as a spouse & delay own retirement to get more later*

# Three Strategic Options

- **File & suspend: only at FRA, helps family**
  - *if you're at FRA but not receiving, your spouse 62+, children can receive on your record; meanwhile, your benefit pct. increasing 8% yearly (note: spouse under FRA must take own retirement first)*
- **Restricting application: only at FRA, helps you**
  - *if at FRA, allows you to receive as a spouse & delay own retirement to get more later*
- **Withdrawal: any age, helps you**
  - *if within 12 months after retirement benefits started, repay all benefits for you & family, start over later*

# “File & Suspend”

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- Husband, at FRA of 66, can get \$1700; now working, wants to wait for 8% increase later



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- Wife, 63, wants to collect, due \$500 on her own



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- Husband files for retirement, “suspends” benefit



# “File & Suspend”

- Husband, at FRA of 66, can get \$1700; now working, wants to wait for 8% increase later
- Wife, 63, wants to collect, due \$500 on her own
- Husband files for retirement, “suspends” benefit
- Wife receives her \$500, plus another \$137 as spouse; husband will notify us later re his (plus 8%)



# “Restricting Application”

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- Husband, 62+
- FRA benefit is \$1500
- took benefits early, gets \$1200

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- Husband, 62+
- FRA benefit is \$1500
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- Wife at her FRA of 66
- \$700 own retirement , spouse's benefit would be \$750



# “Restricting Application”



- Husband, 62+
- FRA benefit is \$1500
- took benefits early, gets \$1200
- Wife at her FRA of 66
- \$700 own retirement , spouse's benefit would be \$750
- If ... she files for everything, receives \$700 on her own  
+ \$50 as spouse ...total is \$750



# “Restricting Application”



- Husband, 62+
- FRA benefit is \$1500
- took benefits early, gets \$1200
- Wife at her FRA of 66
- \$700 own retirement , spouse's benefit would be \$750
- If ... she files for everything, receives \$700 on her own  
+ \$50 as spouse ...total is \$750
- But ... since she's at FRA, she “*restricts*” application  
to spouse's only (\$750)



# “Restricting Application”



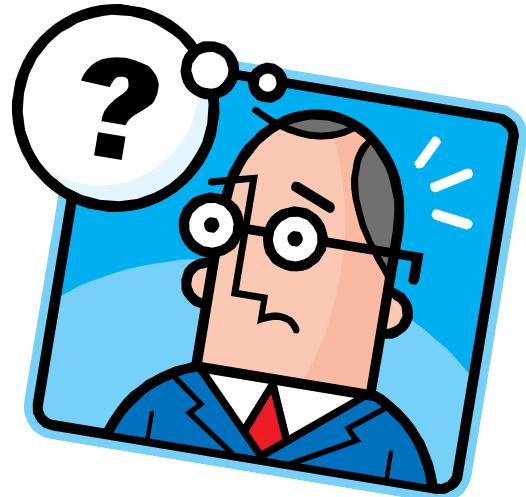
- Husband, 62+
- FRA benefit is \$1500
- took benefits early, gets \$1200
- Wife at her FRA of 66
- \$700 own retirement , spouse's benefit would be \$750
- If ... she files for everything, receives \$700 on her own  
+ \$50 as spouse ...total is \$750
- But ... since she's at FRA, she “*restricts*” application  
to spouse's only (\$750)
- At 70, files for own retirement;  
her \$700 increased 32%, becoming \$924



# “Withdrawal”

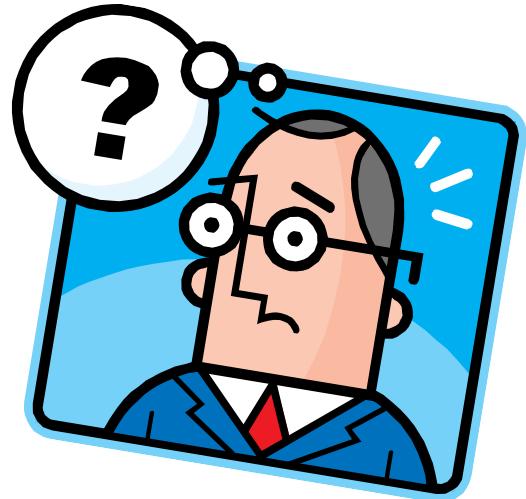
# “Withdrawal”

- Individual is receiving retirement, but later wishes he hadn't filed



# “Withdrawal”

- Individual is receiving retirement, but later wishes he hadn't filed
- Possible reasons to withdraw:
  - *returned to work*
  - *wants higher benefit percentage*
  - *wants higher benefit for family members later*



# “Withdrawal”

- Individual is receiving retirement, but later wishes he hadn't filed
- Possible reasons to withdraw:
  - *returned to work*
  - *wants higher benefit percentage*
  - *wants higher benefit for family members later*
- Conditions for withdrawal:
  - request within 12 months of entitlement
  - must repay all benefits, including for family
  - can only withdraw once

