the

SOCIAL SECURITY CLAIMING GUIDE

A guide to the MOST IMPORTANT *financial decision you'll likely make*

CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE

How old you are when you claim Social Security has a dramatic effect on the monthly benefits you and, if married, your spouse will get for the *rest of your lives*.

Contents

WHERE TO BEGIN

3 Your most important financial decision
4 How much income will you need in retirement?
5 How much really secure income will you need?

HOW MUCH YOU CAN GET

6 The later you claim, the more you get
7 More options if you're married

ANSWERS TO FREQUENTLY ASKED QUESTIONS

8 You can continue to work after you claim
9 You don't have to claim when you retire
10 Yes, you might get less over your lifetime if you claim later
11 Don't start early because Social Security has money problems
12 Special rules for some government workers

SUMMING UP

13 Next steps

THE SOCIAL SECURITY CLAIMING GUIDE
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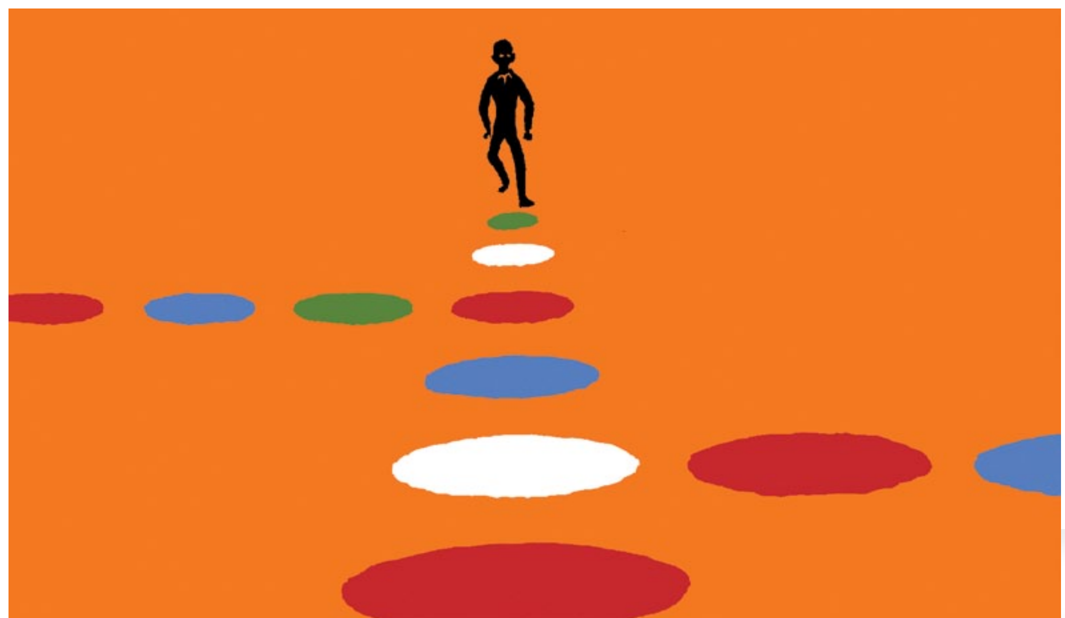

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Your most important financial decision

The later you claim Social Security, the higher your monthly benefit.

As you approach retirement, how long you work and when you claim will usually have a far greater impact on how much income you'll have in retirement than how much you save or how you invest.

The power of patience

You can start collecting at any age between 62 and 70.

If you start to collect at:	62	66	70
Your monthly benefit is:	your minimum	at least 1/3 more	at least 3/4 more

* If you'd get $1,000 a month at 62, you'd get at least $1,333 at 66 and $1,760 at 70.

The power of patience

DO YOU NEED A HIGHER RETIREMENT INCOME?

Working longer and retiring later could be the best way to get it.

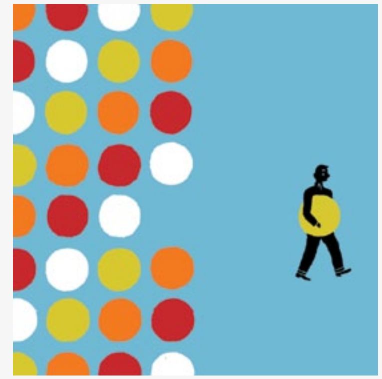
How much income will you need in retirement?

There's no simple answer. But to maintain your standard of living, you won't need as much as you currently earn.

- **You will pay less tax.**
  - *You won't pay payroll tax on income from Social Security, savings, or employer pensions.*
  - *You won't pay income tax on* all *your Social Security benefits.* [1]
- **You won't need to save for retirement.**
- **The mortgage might be paid off (or will be soon).**
- **The kids will probably be out on their own (or will be soon).**

While medical expenses rise, experts say you'll need roughly **75%** of your current income to maintain your standard of living.

Some are willing to live on less



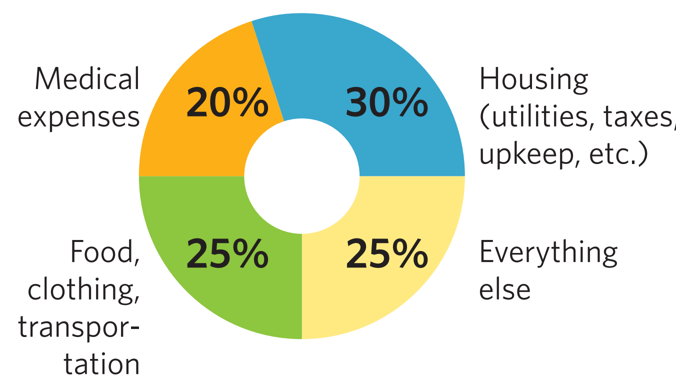
If work is difficult, you might want to retire early even if it means having a lower standard of living.

But be careful: You're talking about a lower standard of living for the rest of your life.

* You also need money in reserve for medical emergencies, unexpected home repairs, and other "rainy day" expenses.

Some are willing to live on less

HOW RETIRED HOUSEHOLDS SPEND THEIR INCOME [2]

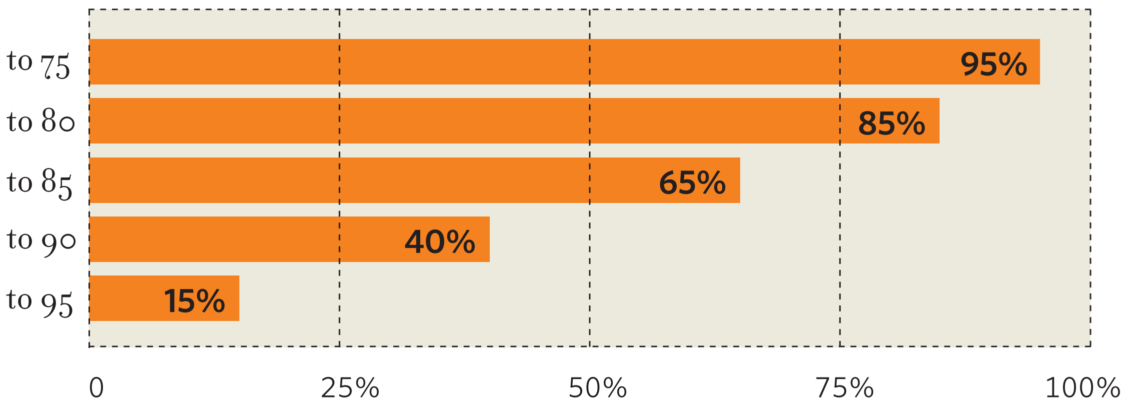


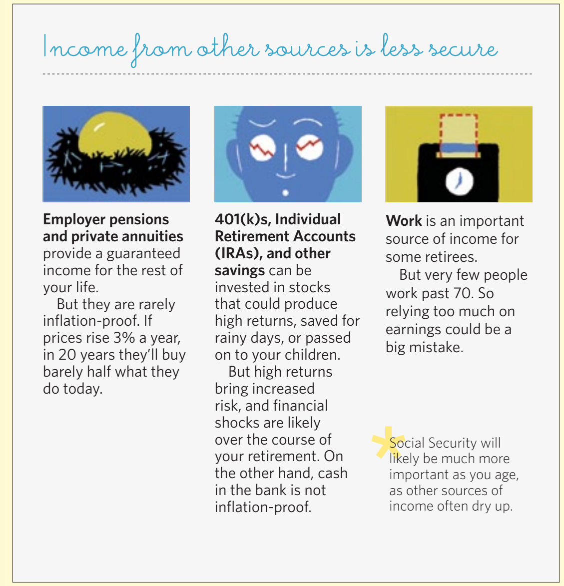
How much really secure income will you need?

Social Security is especially good for providing a basic retirement income that you and your spouse can rely on. The income it provides is inflation-proof and keeps coming as long as you or your spouse is alive.

Your chances for a very long life are excellent

Chances that one person in a married couple, both age 62, will live...





Income from other sources is less secure

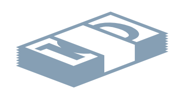
Employer pensions and private annuities provide a guaranteed income for the rest of your life.
But they are rarely inflation-proof. If prices rise 3% a year, in 20 years they'll buy barely half what they do today.

401(k)s, Individual Retirement Accounts (IRAs), and other savings can be invested in stocks that could produce high returns, saved for rainy days, or passed on to your children.
But high returns bring increased risk, and financial shocks are likely over the course of your retirement. On the other hand, cash in the bank is not inflation-proof.

Work is an important source of income for some retirees.
But very few people work past 70. So relying too much on earnings could be a big mistake.

Social Security will likely be much more important as you age, as other sources of income often dry up.

Income from other sources is less secure



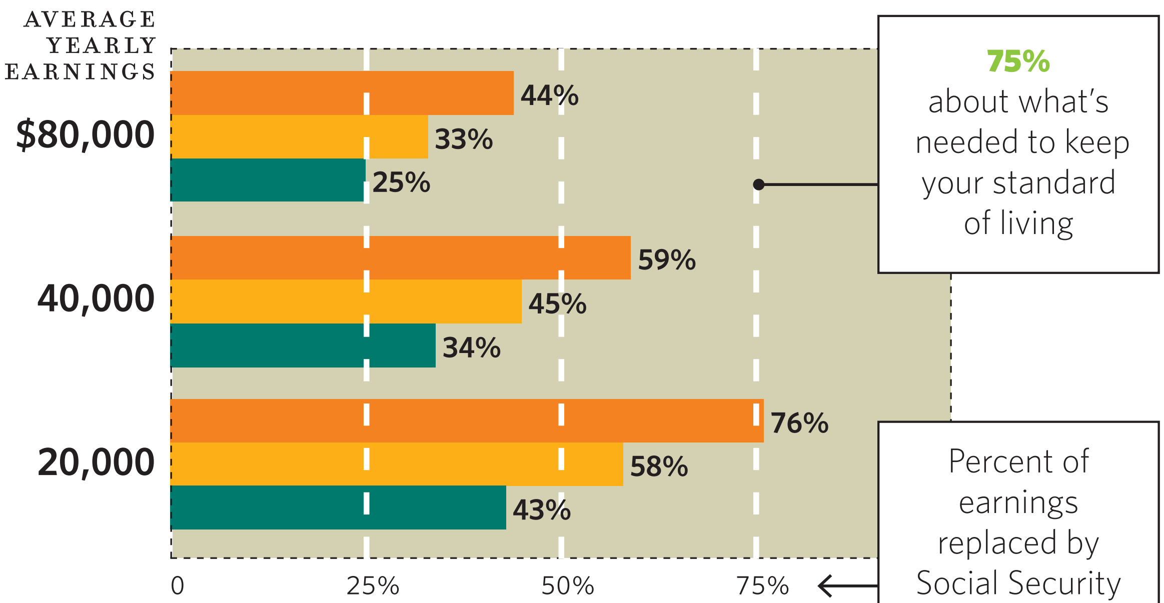
INFLATION-PROOF!

You get more dollars from Social Security if prices rise, so what you can buy stays the same.

The later you claim, the more you get

The monthly benefit you earn as a worker is generally based on 1) when you start to collect and 2) the average of the highest 35 years of earnings on which you've paid Social Security payroll tax. [3]

PERCENT OF EARNINGS REPLACED (WORKERS BORN IN 1943)



- CLAIM AT 70 IN 2013 → 76% MORE
- CLAIM AT 66 IN 2009 (THE FULL RETIREMENT AGE) → 33% MORE
- CLAIM AT 62 IN 2005

You get even more …

… if working longer raises the average of the highest 35 years of earnings on which you've paid Social Security payroll tax.

For example, say you were 62 in 2005 and had 31 years of employment, at $40,000 a year.

If you retire and start to collect benefits at 62:

The average of your highest 35 years of earnings is:
$35,400

Your monthly benefit, based on your average earnings and claiming age =
$1,030

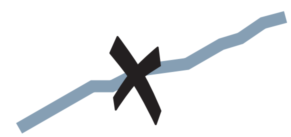
If you work four more years, at $40,000 a year, and retire at 66:

The average of your highest 35 years of earnings is:
$40,000

Your monthly benefit, based on your average earnings and claiming age =
$1,500

33% for claiming later
+12% for more earnings
= 45% more overall

You get even more...



LET'S IGNORE INFLATION

Because Social Security benefits rise in line with prices, all examples in this Guide ignore inflation.

More options if you're married

Special rules that raise the benefits of the lower-earning spouse—most often the wife—generally make claiming later an attractive option for married men.

The spousal benefit

If both husband and wife have claimed benefits, each is guaranteed half what the other would get at the Full Retirement Age (which used to be 65, is now 66, and will be 67). [4]

- Spousal benefits are reduced up to 35% if claimed before the recipient's Full Retirement Age.

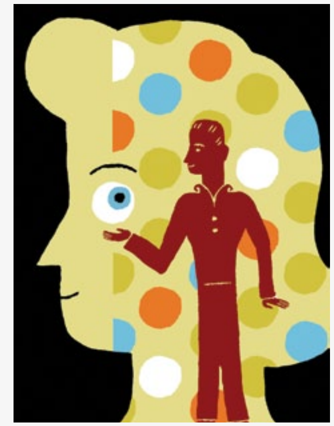
The survivor benefit

Widow(er)s can keep their own benefit or, if they chose, instead claim a survivor benefit equal to their spouse's monthly benefit.

- Survivor benefits are available as early as age 60, or age 50 if disabled, but are reduced up to 28.5% if claimed before the recipient's Full Retirement Age. [5]
- Survivor benefits almost always go to widows, as most survivors are women (wives are generally younger than their husbands and live longer) and most wives have lower monthly benefits (they generally earn less and start to collect at younger ages).

Ex-spouses are entitled to these benefits if the marriage lasted 10 years. [6]

Husbands can get more for their wives

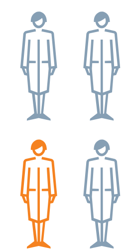


Most wives will outlive their husband, by about 7 years on average, and most widows get their husband's higher monthly benefit in place of their own.

A husband can increase the monthly benefit his wife gets as his survivor more than 20% if he claims Social Security at 66, not 62, and 60% if he claims at 70.

Claiming later could be the most effective way a husband can improve his wife's long-term financial security.

Husbands can get more for their wives



WIDOWS' BENEFITS ARE CRITICAL

One in four widows over 65 is poor or near-poor. [7]

You can continue to work after you claim

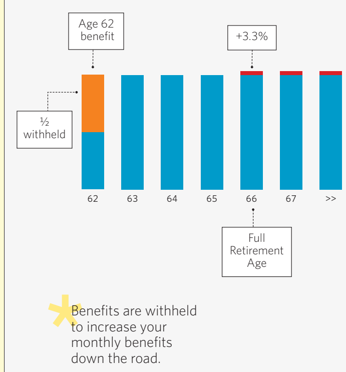
However, Social Security is designed to replace your earnings when you no longer work. So if you start to collect benefits and continue to work before you reach your Full Retirement Age, some of your benefits might be withheld.

Before the Full Retirement Age, Social Security withholds …

$1 for every	you earn above (in 2009) 8	
$2	$14,160/yr.	In calendar years *before* you reach the Full Retirement Age
$3	$3,140/mo.	In the calendar year *in which* you reach the Full Retirement Age

Benefits withheld aren't lost

They're rolled forward to increase your Social Security monthly benefits *after* you reach the Full Retirement Age.



For example, say you start to collect benefits at 62, continue to work, and only retire for good at 63. If you earn so much that half your monthly benefits are withheld, at the Full Retirement Age your monthly benefit is raised to what it would be had you started to collect at 62 and a half.

Benefits withheld aren't lost

$0

NO BENEFITS ARE WITHHELD

after the Full Retirement Age no matter how much you earn.

You don't have to claim when you retire

Retiring and claiming are two different things. So if you have enough savings when you retire, you have two options.

OPTION 1

- *Start collecting right away. That's what most people do.*

OPTION 2

- *Delay and, while you wait, use a portion of your savings to live on. This option will draw down your savings more quickly, but increase the inflation-proof Social Security benefit you'll get each month for the rest of your life.*

Should you delay or claim right away?

The choice is whether to use your savings to buy stocks, bonds, CDs, real estate, some other investment, or, in effect, a higher monthly Social Security benefit.

No one wants to draw down all their savings. Savings are valuable as a reserve, can be invested in high-yielding assets, or left as an inheritance. But drawing an income out of your savings, over an extended period of time in retirement, can be tricky.

So it could make sense to use some of your assets to live on and delay claiming Social Security:

- ✓ If you need to assure you and your spouse a higher basic income for the rest of your lives.
- ✓ If you will still have enough savings for "rainy day" emergencies.

Should you delay or claim right away?

YOUR CHOICE

Do you want a higher monthly benefit OR a bigger pile of retirement assets?

Yes, you might get less over your lifetime if you claim later

Monthly benefits are set so that lifetime benefits are much the same no matter when the average person starts to collect.

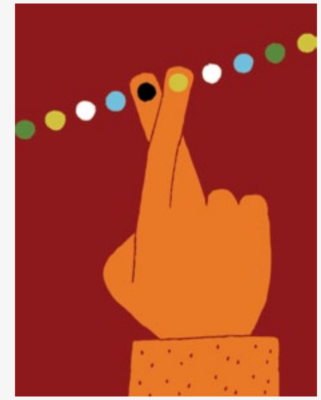
- *If you're in poor health and unlikely to live as long as the average person, you'll probably get less, over your lifetime, the later you claim.* (That's because you probably won't get the higher monthly benefit long enough to make up for starting later.)
- BUT NOTE: *many whose health is poor still outlive the "average person."*

Should you bet that your life will be short?

No one really knows how long they will live. But if your health is OK, you'll probably outlive the average person.

If you're married and both in good health, the odds are even greater that you or your spouse outlives the average person.

The cost could be quite high if you lose the bet and live "too long." If blessed with long life, you might barely scrape by in your 80s.



* If you claim early, the odds of "losing big" could be much greater than the odds of "winning big."

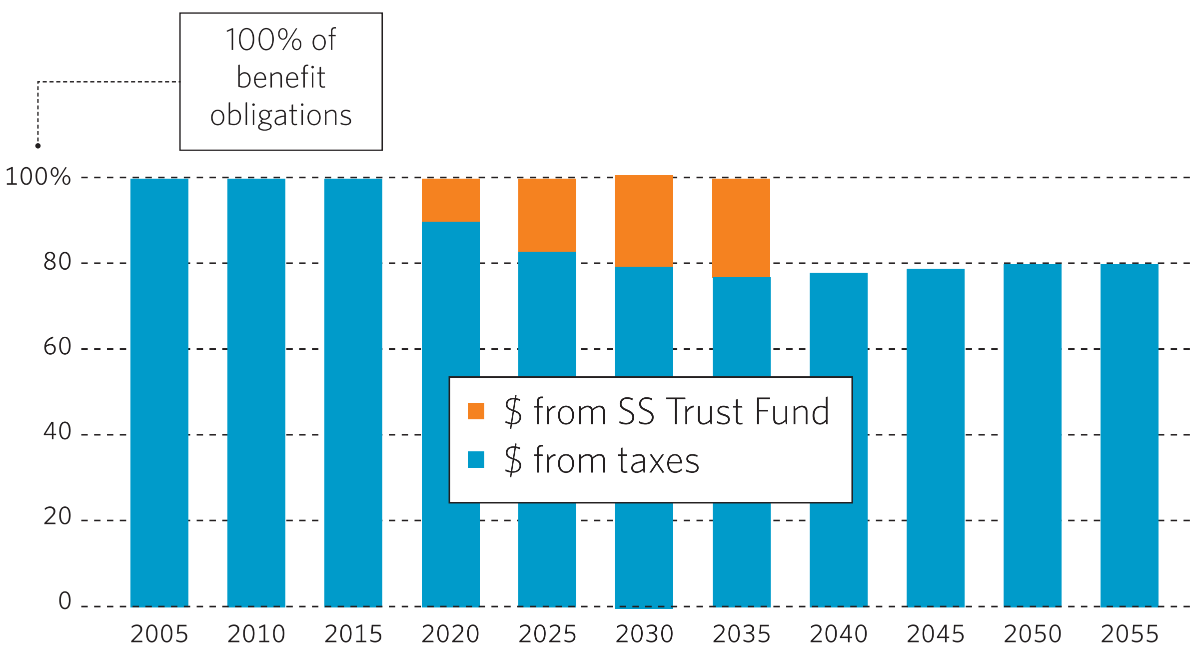
Should you bet that your life will be short?

ONLY 1 IN 7 COUPLES LOSE 15%

of lifetime benefits if the high earner starts at 66, not 62. 9

Don't start early because Social Security has money problems

Yes, Social Security has money problems. After benefit payments deplete the program's Trust Fund, in about 2037, Social Security will only be able to pay about 78¢ on the dollar.




You won't get more if you do

The most prominent proposals to cut benefits:

Raise the Full Retirement Age. (So those affected would need to claim later, and collect for a shorter period of time, to get the same monthly benefit.)

Freeze the purchasing power of monthly benefits at current levels. (So if wages continue to rise, Social Security would replace a smaller share of the earnings of those affected.)

Cut the benefits of high earners, but protect the benefits of low earners.

NONE OF THESE PROPOSALS give you more if you claim early. If you are affected, you'll get less no matter when you claim.

Nearly all proposals to fix Social Security would also protect those age 55 and older.

You won't get more if you do

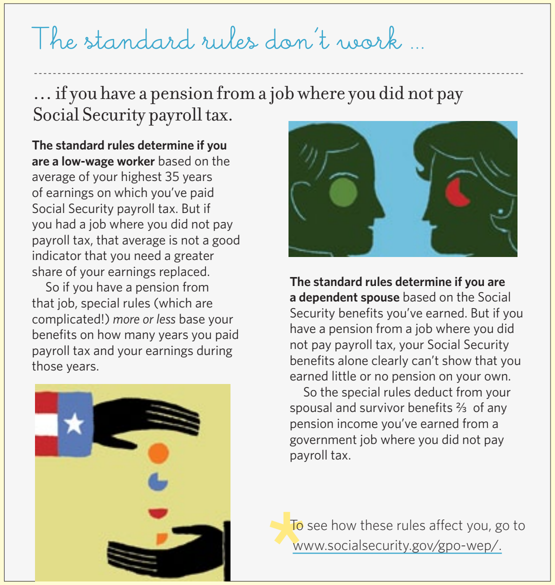
SOMETHING *WILL* BE DONE 10

Benefits will be cut and/or revenues will be raised.

Special rules for some government workers

Social Security is designed to provide a basic retirement income to workers and their dependents. To achieve this objective and treat all workers fairly, Social Security:

- *Replaces a greater share of the earnings of low-wage workers, as they spend a greater share of their income on necessities and have less opportunity to save.*
- *Provides spousal and survivor benefits to dependent spouses who earn little or no pension on their own.*
- *Uses special rules to calculate benefits for workers with a pension from a job where they did not pay Social Security payroll tax.*


The standard rules don't work …

… if you have a pension from a job where you did not pay Social Security payroll tax.

The standard rules determine if you are a low-wage worker based on the average of your highest 35 years of earnings on which you've paid Social Security payroll tax. But if you had a job where you did not pay payroll tax, that average is not a good indicator that you need a greater share of your earnings replaced.

So if you have a pension from that job, special rules (which are complicated!) *more or less* base your benefits on how many years you paid payroll tax and your earnings during those years.

The standard rules determine if you are a dependent spouse based on the Social Security benefits you've earned. But if you have a pension from a job where you did not pay payroll tax, your Social Security benefits alone clearly can't show that you earned little or no pension on your own.

So the special rules deduct from your spousal and survivor benefits ⅔ of any pension income you've earned from a government job where you did not pay payroll tax.

To see how these rules affect you, go to www.socialsecurity.gov/gpo-wep/.

The standard rules don't work

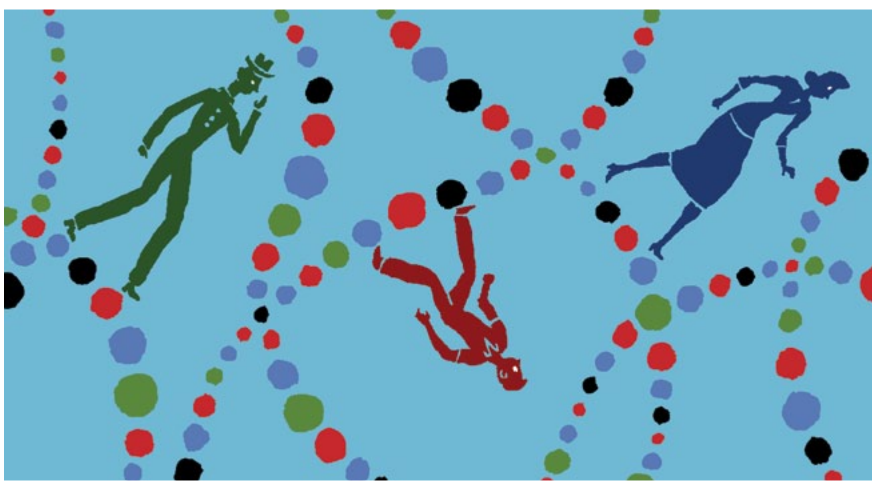
THE SPECIAL RULES MAINLY AFFECT:

Government workers not covered by Social Security.

Next steps

You can claim Social Security at any age between 62 and 70.

- *Social Security is your safety net if at 62 you're in poor health or can't find a job.*
- *But if you can work, you have critically important options. You might want to quit and relax. But it's important to think long term. What's at stake is nothing less than the financial well-being of you and your spouse for the rest of your lives.*



What you can do now

Estimate how much retirement income you and your spouse will need and how much of that income needs to be secure.

Target when you would like to retire, considering the effect on your retirement income and how difficult (or easy) it would be to work longer. Social Security's estimator should be a big help: www.socialsecurity.gov/estimator.

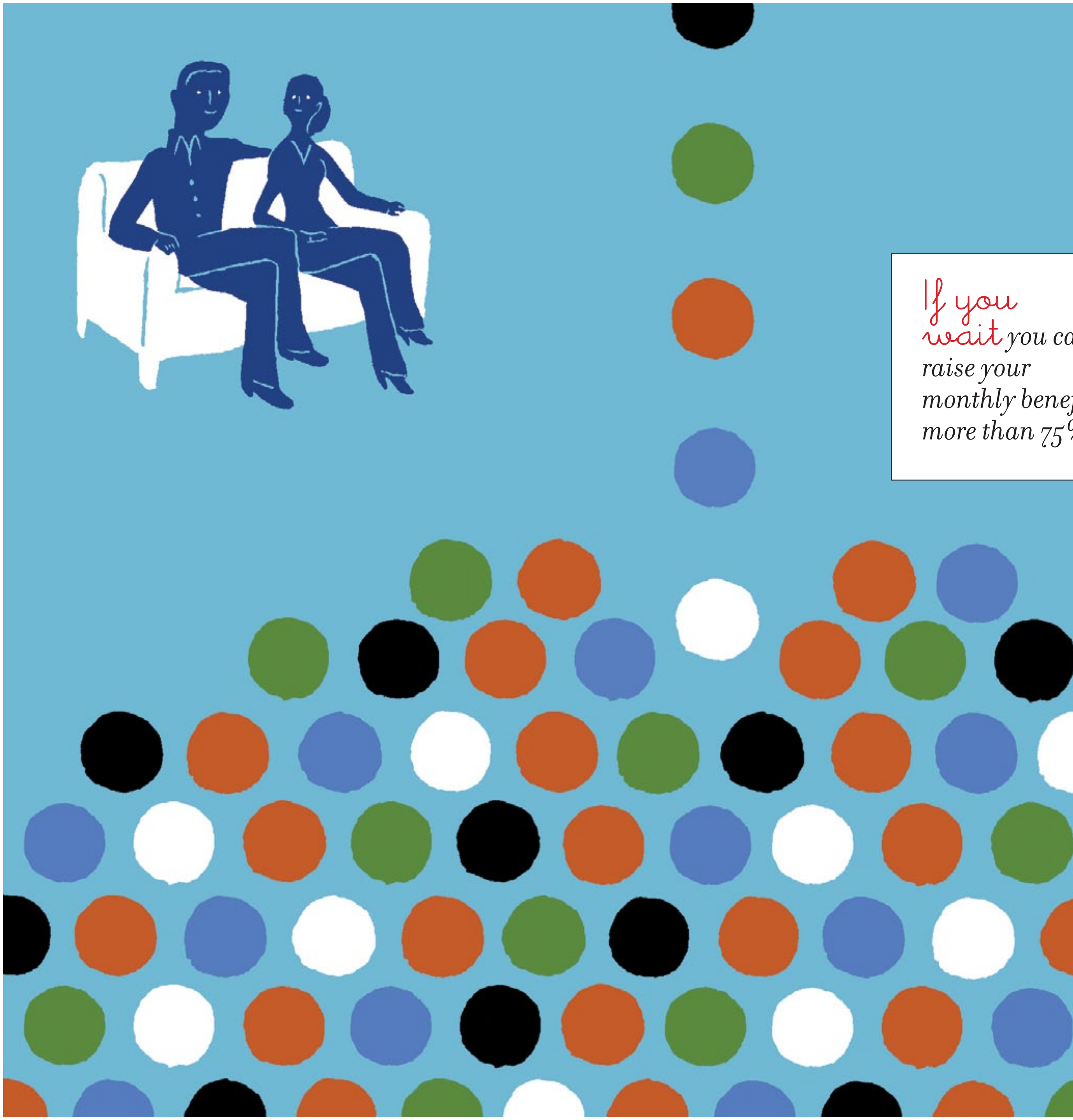
Now make a plan that allows you to work to that age. It could mean learning new skills, taking on a new role at work, and seeing that your employer, or perhaps a new employer, has plans that allow you to stay on that long.

The key to any retirement plan is setting a target retirement age, and having a plan that allows you to work to that age.

What you can do now

SOCIAL SECURITY IS YOUR SECURITY

You can draw it down
or save it up.
The choice is yours.



If you wait you can raise your monthly benefit more than 75%