



# FACT SHEET FOR CONSUMERS: BASICS OF SOCIAL SECURITY

Social Security forms the foundation upon which Americans build their retirement plans. Because of this key role the program plays it is critical for all consumers to understand how Social Security works. When you chose to retire and start to collect Social Security benefits has a big impact on the amount you will receive. Please review this document and use the information provided as a starting point for a conversation with your financial advisor on when to retire.

## WHAT IS MY FULL RETIREMENT AGE?

Full-retirement age was 65 for many years. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born 1960 and after.

## CAN I START RECEIVING MY BENEFIT BEFORE MY FULL RETIREMENT AGE? HOW WILL THAT AFFECT MY BENEFIT AMOUNT?

The earliest age you can begin receiving Social Security retirement benefits is 62. The 1983 Social Security Amendments included a provision for raising the retirement age beginning with persons born in 1938 or later, but does not affect the minimum age for retirement, still age 62. You will receive a reduced benefit if you elect benefits prior to your full retirement age. The table below shows you, based on the year you were born, how much your benefit amount would be reduced if you begin receiving benefits at age 62 and age 65.

Birth Year	Full Retirement Age	Amount Benefit is Reduced if Retirement Begins at Age 62	Amount Benefit is Reduced if Retirement Begins at Age 65
1937 or earlier	65 years, 0 months	20.0%	0%
1938	65 years, 2 months	20.8%	1.1%
1939	65 years, 4 months	21.7%	2.2%
1940	65 years, 6 months	22.5%	3.3%
1941	65 years, 8 months	23.3%	4.4%
1942	65 years, 10 months	24.2%	5.6%
1943-1954	66 years, 0 months	25.0%	6.7%
1955	66 years, 2 months	25.8%	7.8%
1956	66 years, 4 months	26.7%	8.9%
1957	66 years, 6 months	27.5%	10.0%
1958	66 years, 8 months	28.3%	11.1%
1959	66 years, 10 months	29.2%	12.2%
1960 or later	67 years, 0 months	30.0%	13.3%

## IF I START TO CLAIM BENEFITS AFTER MY FULL RETIREMENT AGE, HOW WILL THAT AFFECT MY BENEFIT AMOUNT?

Social Security benefits are increased by a certain percentage (depending on date of birth) if you delay your retirement beyond full retirement age. The increase ranges from 5.5% for those born 1933-34 to 8.0% for those born 1943 or later. The benefit increase no longer applies when you reach age 70 even if you continue to delay taking the benefit.

Here's An Important Point: If you decide to delay your retirement, be sure to sign up for just Medicare at age 65. If you do not sign up, in some circumstances your Medicare coverage may be delayed and cost more..

## CAN I GET AN ESTIMATE OF WHAT MY SOCIAL SECURITY BENEFITS WILL BE?

Yes, the Social Security Administration has created an on-line tool, which provides estimates of your benefit based upon your actual Social Security earnings records. You can access this tool at the following web page, [www.ssa.gov/estimator](http://www.ssa.gov/estimator).

## IF I CONTINUE TO WORK AFTER I START RECEIVING BENEFITS WILL MY BENEFIT AMOUNT BE AFFECTED?

If you start to collect your Social Security benefit before you reach your full retirement age, while you are working, your earnings will reduce your benefit amount only until you reach your full retirement age. After you reach full retirement age Social Security recalculates your benefit amount to leave out the months when Social Security reduced or withheld benefits due to your excess earnings. Social Security uses a formula to determine how much your benefit must be reduced:

- If you are under full retirement age for the entire year, your benefit payments will be reduced by \$1 for every \$2 you earn above the annual limit. The limit for 2013 is \$15,120, adjusted annually.
- In the year you reach full retirement age, your benefit payments will be reduced by \$1 for every \$3 you earn above a different limit, but Social Security only counts earnings before the month you reach your full retirement age. If you will reach full retirement age in 2013, the limit on your earnings for the months before full retirement age is \$40,080, adjusted annually.
- Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings.

*Note: This document is for educational purposes only. The information contain in this document does not constitute financial, legal or tax advice. Please consult with your appropriate professional for matters pertaining to your personal situation.*

*Source: Social Security Administration*