Social Security Facts Summary   by Tony Kendzior, CLU, ChFC

This Social Security Facts Summary is designed to provide general information for those who expect to file for Social Security benefits in the next several years. The idea is to find a way to maximize your benefits and not leave thousands of dollars behind to which you might be entitled.

Our disclaimer is that while we are able to provide information, we are not authorized to provide specific guidance or specific advice related to Social Security benefits.

You should seek guidance from the Social Security Administration (SSA) regarding your particular circumstances. We encourage you to visit a local SSA office or visit http://www.ssa.gov.

If you agree to work with us, we can help you find retirement income from additional sources, such as managed investment portfolios and annuities. It may be to your advantage to delay filing for Social Security benefits and rely on personal assets for several or many months before you file. Regardless, our hope is that you better understand your options before you retire and optimize those options to provide the income you will need.

Let's get started:

The key takeaway from all this is that you can choose to take a smaller benefit for a longer period of time, or a larger benefit for a shorter period of time. It all depends on when you die.

1. How do I determine what my estimated Social Security benefits will be at retirement?

A paper Social Security statement will generally only be mailed to individuals age 60 and older. However, you can go online to *My Social Security* at www.ssa.gov/myaccount/ to create an online account to view and print your Social Security statement. Once enrolled, you will be able to access helpful information such as:

- Estimates of the retirement and disability benefits you may receive
- Estimates of benefits your family may receive when you retire or die
- Your lifetime earnings record according to Social Security
- The estimated Social Security and Medicare taxes you have paid

- The opportunity to apply online for retirement or disability benefits
- A printable version of your Social Security statement

2. How does life expectancy factor into what my benefits will be and how do I estimate my life expectancy?

In considering when to collect Social Security benefits, an important factor to consider is how long you might live. According to the data collected by the SSA

- A man reaching age 65 this year can expect to live, on average, until age 84+
- A woman reaching age 65 this year can expect to live, on average, until age 86+
- To get a more specific estimate of your projected life expectancy based on your current age, visit the life expectancy calculator on the SSA website at http://www.socialsecurity.gov/OACT/population/longevity.html

If, for example, you are in poor health and anticipate a shorter than average life expectancy, applying for Social Security benefits at age 62, even though they will be reduced for taking them prior to your Full Retirement Age (FRA), may make sense. Conversely, If you expect to live to average or beyond average life expectancy, applying for benefits at FRA or waiting until you are 70 to take advantage of potentially higher monthly benefits, may be to your advantage.

3. Will my retirement benefits be adjusted for inflation?

Automatic benefit increases, also known as costs-of-living-adjustment (COLAs), have been in effect since 1975. The purpose of these COLAs has been to help insure that an erosion of the purchasing power of Social Security and Supplemental Security Income (SSI) benefits will be minimized. The COLA for 2013 was 1.7% and for 2014, it was 1.5%.

4. What is considered Full Retirement Age (FRA)?

FRA is the age at which a person first becomes entitled to full or unreduced Social Security retirement benefits. Age 65 was the full retirement age for many years. But now it has increased for those born after 1959 to age 67.

5. When may I start collecting Social Security benefits for retirement?

- You may apply to receive Social Security retirement benefits as early as age 62. Your monthly benefit will vary depending on just when you make your election.
- If you file before your FRA, your monthly benefit will be permanently reduced by a fraction of a percent for each month you receive benefits before your FRA.
- If you file ***after*** your FRA, your benefit will be increased based on the number of months you delay beyond your FRA. This is called a Delayed Retirement Credit (DRC) and may increase your benefits up to 8% annually. DRCs only increase your benefits up to age 70.

You have a total of 97 months from which to choose from, so it is to your advantage to know in advance which one will likely be in your best interest, always assuming you live to your predicted life expectancy. But it makes NO sense to wait beyond your reaching age 70.

6. May I elect to receive my retirement benefits before I actually retire?

Yes, you may, as early as age 62. However, if you have not reached your FRA, and earn more than certain amounts, your benefits will be reduced. Know, however, that the withheld amounts, due to excess earnings, are not lost. Your benefits will be recalculated and increased at your FRA to account for those withheld benefits. Once you reach your FRA, your earnings while working no longer reduce your Social Security benefit amount. Go here for more information: http://www.socialsecurity.gov/retire2/whileworking.htm

7. Are my Social Security benefits taxable?

Some people have to pay federal income taxes on their Social Security benefits. Typically, this only happens if you have substantial income from other sources such as earnings, interest, dividends and other taxable income over and above your Social Security benefit. Some of your Social Security benefit will be taxable if your "combined income" is greater than $25K as a single taxpayer or over $32K if you file a joint return. For more info on this, visit http://www.socialsecurity.gov/planners/taxes.htm

8. What benefits are available to my spouse?

Even if your spouse has never paid taxes into the Social Security system, your spouse may be able to receive benefits if he or she is at least 62 years old and you are receiving or are eligible to receive retirement benefits (or has suspended benefits, explained later). The spousal benefit is equal to 50% of your FRA benefit if the benefit starts at the spouses FRA or later. However, if the collected benefit is prior to his/her FRA, the amount will be permanently reduced by a percentage based on the number of months collected before his/her FRA. Also, if the spouse is eligible to receive a worker benefit in addition to the spousal benefit, and is less than FRA, the spouse's worker benefit will pay first. If the spousal benefit is higher, the recipient will receive a combination of the two benefits to equal the higher amount.

9. What is a restricted application?

Filing a restricted application allows you to collect half your spouse's Social Security benefits at your FRA and delay collecting your own benefit until you reach age 70. This allows your own retirement benefit to increase by virtue of the DRCs you will be entitled to for delaying the start of your benefit up to age 70 (see question #5 above). The problem is that by taking a spousal benefit may drastically limit that person's benefits for every month they live after starting that benefit. The restricted application technique may work best for two income couples with similar income and work histories. In order to file a restricted application, one of you must have reached your FRA.

10. What does it mean to "file and suspend" Social Security benefits?

With this technique, the higher earning member of a married couple files for his/her Social Security benefit and immediately suspends the benefit. File and suspend generally works best when one spouse has little or no work history. By filing and suspending the worker benefit, the non-working or lower income earning spouse is then able to collect spousal benefits. This also allows the higher income earning spouse to delay the start of his/her benefits up to age 70. This takes advantage of those DRCs we talked about earlier and ultimately increase his/her own benefits. All of this assumes you live to age 70.

11. Once I begin receiving benefits, can I later change my mind?

Under certain circumstances, you may be able to 'reset' your Social Security benefits. This involves withdrawing your earlier Social Security claim for benefits by completing Social Security form SSA-521 and re-applying at a later date. If you are already receiving benefits, you cannot file a SSA-521 form if it has been 12 months or more since you started receiving your benefits.

If you are within the acceptable time frame, you will also have to pay back the benefits previously paid to you, your spouse or children. If your withdrawal is approved and you later re-file, your monthly benefit will be higher because you are now older. You can withdraw, return your benefits, and start over only once in your lifetime. You should also note there are other considerations, such as Medicare coverage, that should be thought about. If you are unable to re-pay benefits received, or if more that 12 months have elapsed since you began to receive benefits, you may voluntarily elect to suspend future payments to increase the amount you will receive when you begin them again at a later date. All of this is always clouded by the question 'will you be alive at that later date?'.

12. What factors should I consider when deciding to file for Social Security benefits?

There are a variety of factors that need to be thought about. Among them are your state of health and possibly that of a spouse, your current age and that of your spouse, if you have one. Another is whether you plan to continue to work and generate earned income, as this also has tax implications. What other financial resources do you have that you can use now, understanding that the DRCs add 8% annually to your expected monthly benefit.

13. Can my former spouse receive Social Security benefits based on my earnings record?

Yes, your former spouse may qualify for benefits under your record if certain conditions apply. They are:

- You are entitled to benefits or, if you are entitled to benefits and have not yet applied.
- You were married for at least 10 years, and you have been divorced for at least 2 years.
- Your former spouse is at least 62 years old.
- Your former spouse in unmarried.
- Your former spouse is not eligible for an equal or higher benefit based on his/her own Social Security record, or on someone else's Social Security record.

Also note that the amount of benefits payable to a former spouse has no effect on the amount of benefits for you and your current spouse, if applicable.

14. If I am eligible for a worker benefit and also receive a pension from earnings not covered by Social Security, will this affect the amount I receive from Social Security?

If you have worked for a federal, state or local government agency that provides you with a pension based on earnings not covered by Social Security, your benefits may be affected. If you think this may be the case and want to know how much your Social Security benefit may be reduced, go here: http://www.socialsecurity.gov/retire2/wep-chart.htm

Your benefits as a spouse or widower may also be affected under the Government Pension Offset provision. For more information, visit http://www.socialsecurity.gov/retire2/gpo-calc.htm

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