

PLANNING YOUR RETIREMENT

The Essentials On Social Security Retirement Benefits

(NAPSA)—The “silver tsunami” has begun in America. That’s what demographers have dubbed the massive wave of baby boomers swiftly moving toward retirement. And despite concerns to the contrary, Social Security will play a central role in most boomers’ retirement income. According to the Social Security Administration, 90 percent of the nearly 80 million Americans scheduled to retire over the next two decades will rely on Social Security to some degree.

According to Kathryn Hanson, Social Security specialist for SecurePathSM by Transamerica, a service of Transamerica Retirement Management, Inc., and former Area Director for the Social Security Administration, workers with average earnings may depend on Social Security to replace up to 55 percent of their after-tax income as retirees. She says a clear understanding of Social Security “basics” is critical. But it can be hard to get.

“Pre-retirees are brimming with questions about accessing these benefits, but getting answers can feel overwhelming,” says Hanson. “For instance, the Frequently Asked Questions section of the Social Security Administration Web site alone has more than 600 entries.”

Hanson points out the following questions and answers as good starting points for pre-retirees struggling to make sense of their Social Security benefits. Answers to these questions and more can be found at www.ssa.gov or in the Social Security Handbook.

1. How do I become eligible?

People born after 1928 need 40 “credits” to receive retirement benefits. Currently, a credit represents \$1,050 of covered earnings and you can gain up to four credits per year. This means you need to work at least 10 years to collect Social Security benefits.

Keep in mind that the highest 35 years of covered earnings are



used to calculate your monthly benefit amount. If you haven’t worked 35 years, “zero” earnings years will be used in the 35-year calculation. Social Security beneficiaries also receive an annual cost-of-living increase based on the Consumer Price Index. In 2007, the average monthly check was \$1,007, or \$12,084 a year.

2. How will my retirement age affect my Social Security income?

For decades, the traditional retirement age was 65, but with Americans living longer, the federal government has increased the age at which people can receive full Social Security benefits.

People born in 1937 or earlier can retire with full benefits when they are 65. The Full Retirement Age gradually rises for those born between 1943 and 1954 to age 66, and gradually rises to 67 for those born in 1960 or later.

Still, anyone eligible for Social Security can begin receiving benefits at age 62, though at a reduced rate. The closer you are to 62, the larger the monthly benefit *reduction*. For instance, if your normal full retirement age is 66 but you opt to begin receiving Social Security at 62, you’d collect about three-quarters of the full benefit amount.

Likewise, if you postpone receiving Social Security until after your full retirement age, you’ll get a boost in benefits, ranging from 3 percent to 8 percent by age 70.

3. What happens if I work after I retire?

Social Security beneficiaries who are younger than their normal full retirement age may earn \$13,560 annually with no effect on benefits. For every \$2 earned above that limit, the federal government withholds \$1 from the worker’s Social Security payment.

When a person reaches full retirement age, there’s no reduction in benefits for earnings. Another plus: Pensions, investment income, annuities, capital gains, inheritance money, IRA distributions and other government benefits do not affect your Social Security benefits.

4. What about benefits for my spouse?

Of course, a spouse who works on his/her own and meets the eligibility requirements will receive his/her own Social Security checks. Spouses who did not work enough to have the required 40 credits—or whose earnings were not enough to yield a full retirement amount one-half that of the other spouse—will receive an amount equaling 50 percent of the higher-earning spouse’s full retirement amount, reduced for the number of months under full retirement age.

5. How do I apply?

Begin the application process no more than four months before your planned retirement date. Start by calling 1-800-772-1213 to locate the nearest field office, or check online at www.ssa.gov or www.ssa.gov/onlineservices. You can use these Web sites to apply for Social Security directly online, or if you prefer to deal with a real person, you can make an appointment at your local office.

More tips on Social Security and other issues facing people preparing for their retirement transition are available online at www.securepathbytransamerica.com.