



**SPECIAL COMMITTEE ON AGING**

**UNITED STATES SENATE**

**September 14, 2016**

**STATEMENT FOR THE RECORD**

**VIRGINIA RENO  
DEPUTY COMMISSIONER FOR RETIREMENT  
AND DISABILITY POLICY  
SOCIAL SECURITY ADMINISTRATION**

Chairman Collins, Ranking Member McCaskill, and Members of the Special Committee:

I am Virginia Reno, Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration (SSA). Thank you for inviting me to discuss how SSA provides information to help workers and their family members decide when to claim Social Security retirement benefits. This decision is a very important one, and we are mindful of our responsibility to provide information to help our claimants make informed decisions that best fit their individual circumstances.

### **Importance of Social Security**

First, I would like to note the importance of Social Security, officially named the Old-Age, Survivors, and Disability Insurance program. Few government agencies touch as many people as we do. We are with people through life's journey, helping them secure today and tomorrow. Social Security is a social insurance program, under which workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings. Employees today contribute 6.2 percent of their earnings – on earnings up to \$118,500 a year – for Social Security protection, and their employers contribute matching amounts. Self-employed workers contribute both the employee and employer shares and receive tax deductions for the amount of the employer share. In 2015, 213 million workers were insured for retirement and survivors benefits, and 151 million workers were protected against a catastrophic loss of income due to disability.

Social Security pays monthly benefits to 60 million individuals, including 40 million retired workers and three million of their spouses and children; nine million disabled workers and two million dependents (mainly children); and six million surviving widows, children, and other dependents of deceased workers.<sup>1</sup> In fiscal year (FY) 2015, these benefits totaled around \$877 billion. Administrative expenses for Social Security are very low, less than one percent of benefit payments.

Social Security is the foundation of retirement security for almost all U.S. workers, and it is the main source of income for most retirees. Nearly two in three seniors who receive Social Security get more than half of their total income from it, including one in three who rely on their benefits for all or almost all (90 percent or more) of their income.<sup>2</sup>

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<sup>1</sup> We also administer the Supplemental Security Income program, which provided benefits to over eight million recipients last year.

<sup>2</sup> [\*Income of the Population 55 or Older, 2014 \(2016\), Table 9.A1\*](#)

## **Choosing When to Claim Retirement Benefits**

Choosing when to start receiving Social Security retirement benefits is an important decision that affects the amount that individuals receive for the rest of their lives. Workers can claim full (unreduced) retirement benefits at their full retirement age (FRA) – currently age 66.<sup>3</sup> Social Security offers workers flexibility to claim benefits as early as age 62 or to delay as late as age 70.

Receiving Social Security benefits before FRA permanently reduces an individual's monthly retirement benefit for every month of benefits received before attaining FRA – and the earlier benefits begin, the greater the reduction.<sup>4</sup> In 2016, retirement benefits claimed at age 62 result in a reduction of up to 25 percent, compared to the benefit payable at FRA.<sup>5</sup>

On the other hand, individuals who delay claiming beyond FRA earn “delayed retirement credits” (DRCs) for every month they do not receive benefits after attaining FRA and prior to attaining age 70. For those born in 1943 and later, each month of delay increases the retirement benefit by two-thirds of one percent, or eight percent per year.

For example, consider an individual eligible for a \$1,000 monthly benefit at the FRA of 66. As shown in the following chart, if he or she took benefits at age 62, the monthly amount would be permanently reduced by 25 percent to \$750. On the other hand, if he or she delayed benefits until age 70, the monthly amount would be permanently increased by 32 percent (eight percent per year from age 66 to 70) to \$1,320. Overall, delaying the start of benefits from age 62 to 70 would increase the monthly benefit by 76 percent (from \$750 to \$1,320).<sup>6</sup>

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<sup>3</sup> For persons born in years 1943 through 1954, full retirement age is 66. Over time, the full retirement age will gradually increase to age 67 (for persons born in 1960 and later).

<sup>4</sup> In the case of early retirement, a benefit is reduced 5/9 of one percent for each month before full retirement age, up to 36 months. If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month.

<sup>5</sup> For persons born in 1960 or later, a worker who chooses to retire at age 62 would have a reduction of up to 30 percent.

<sup>6</sup> Both figures reflect current dollar amounts. Because all beneficiaries receive cost-of-living adjustments over time, regardless of when they elect to begin retirement benefits, the actual dollar amounts would vary.

<b>If receipt begins at age:<sup>7</sup></b>	<b>The monthly benefit would be:<sup>8</sup></b>
62	\$750
63	\$800
64	\$866
65	\$933
<b>66</b>	<b>\$1,000</b>
67	\$1,080
68	\$1,160
69	\$1,240
70	\$1,320

Retirement claiming decisions can also affect the amount of the benefit that the worker's surviving spouse will receive, if he or she outlives the worker. In effect, the same adjustment that applies to the worker's retirement benefit will apply to survivor benefits paid to the worker's widow or widower, for the rest of his or her life.

The amount of these reductions and credits is not arbitrary. Rather, the benefit adjustments for early and delayed claiming are designed to be actuarially neutral in the cost to the Social Security trust funds. This means that, no matter when he or she elects to receive retirement benefits, if an individual lives to the average life expectancy, he or she will receive roughly the same lifetime benefits. Of course, real people are not averages. In this respect, people make decisions that best reflect their own situations and needs.

Deciding when to claim retirement benefits can be complex and is a highly personal decision, based on many factors. In addition to the monthly benefit amount, individuals will want to consider their personal and family circumstances, including current and future financial resources and obligations, and current and anticipated health and longevity.

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<sup>7</sup> See SSA Pub. No. 05-10147, "[When to Start Receiving Retirement Benefits](https://www.ssa.gov/pubs/EN-05-10147.pdf)" (July 2016), available at <https://www.ssa.gov/pubs/EN-05-10147.pdf>.

<sup>8</sup> These monthly benefit amounts do not account for any benefit increase that may be due to earnings after age 61.

Someone who needs benefits at age 62 to make ends meet, or whose current health is precarious, may choose to claim benefits at age 62. Others may choose to wait until age 70 to get higher Social Security benefits in case they might live to an advanced age when other resources may have decreased. In fact, the likelihood of living to an advanced age is greater than many people might realize. Social Security’s actuaries estimate that more than one in three 65-year-olds today will live to age 90, and more than one in seven will live to age 95.<sup>9</sup>

Married couples approaching retirement have two lives to plan for. They must consider important information about Social Security protection for widowed spouses. A higher-earning partner who delays benefits will receive higher monthly benefits for his or her life. This delay will also result in higher survivor’s benefits for a spouse if the spouse lives longer. Married couples at age 65 today have greater than a 50-50 chance that at least one member of the couple will live beyond the age of 90.<sup>10</sup>

### **Social Security’s Role in Individuals’ Decision-Making**

SSA’s role in the retirement claiming decision is to provide objective and clear information that individuals can use to make an informed decision for their own circumstances. The Government Accountability Office (GAO) is currently exploring the ways we inform individuals about their choices. While our outreach, education, and customer service efforts are informative and robust, we appreciate the guidance and recommendations that GAO may offer to improve our interactions with the public.

We have a variety of ways to inform individuals about their claiming decisions *before* they decide to file for benefits. These resources are critical because they allow individuals to gather information and consider their decisions in advance, so they have time to think about the best claiming age for them. After all, by the time they arrive in a field office or complete an online application to claim benefits, they may have already decided to file for benefits. We provide this information in advance through the *Social Security Statement*, our website and publications, outreach, and more.

### ***Social Security Statement***

The *Social Security Statement (Statement)* reaches a wide swath of workers and pre-retirees of all ages. It often serves as our first interaction with members of the public. We currently mail *Statements* to workers ages 25, 30, 35, 40, 45, 50, 55, and 60 or older who

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<sup>9</sup> See SSA Pub. No. 05-10147, “[When to Start Receiving Retirement Benefits](https://www.ssa.gov/pubs/EN-05-10147.pdf)” (July 2016), available at <https://www.ssa.gov/pubs/EN-05-10147.pdf>.

<sup>10</sup> NASI brief, *When Should I Take Social Security Benefits?* 2014, data based on OACT estimates for 2013.

are not receiving Social Security benefits and do not have a [my Social Security](#) account.<sup>11</sup> In FY 2015, we mailed more than 44 million *Statements*.

The most convenient way for people to see their *Statement* is by creating and using their personal [my Social Security](#) account through our [SocialSecurity.gov](#) website. However, we also provide an option for online users to print and mail a request to us, allowing us to send a hard copy *Statement* without any registration process.

The *Statement* provides personalized information about an individual's potential retirement, disability, and survivor benefits, as well as a detailed record of the individual's earnings history. We encourage people to verify their earnings history and let us know if corrections are needed. This is especially important since we base future benefits on the individual's earnings history. For retirement benefits, the *Statement* lists the benefit amounts that he or she could expect to receive at age 62, at FRA, and at age 70. For people age 55 and older, the *Statement* describes additional factors to consider when choosing when to claim benefits. It includes information on how work affects benefits; how a worker's claiming decision affects his or her spouse's survivor benefits; how to avoid a Medicare late-enrollment penalty; and information on life expectancy. Surveys indicate that receiving the *Statement* increases Social Security program knowledge among recipients,<sup>12</sup> and preliminary research findings suggest that *Statement* receipt also has a statistically significant impact on claiming decisions, reducing the percentage of individuals claiming at ages 62 and 63.<sup>13</sup>

Because it reaches so many people and provides individualized benefit information, the *Social Security Statement* is a valuable educational tool. With recent funding levels, however, we have been unable to mail *Statements* to all workers in some years. As the *Statement* serves as a vital tool in retirement planning, it is essential that we receive the funding necessary to ensure that we are able to continue its mailing.

### ***Publications and Online Tools***

We offer a wealth of information to the public through our publications, website, and other online tools. Over 118 million people visited our website a total of more than 216 million times in the last year. Numerous publications, webpages, and [Frequently Asked Questions](#) explain the effect that earnings, the age of claiming benefits, and the receipt of a non-covered pension may have on Social Security benefits. Our resources range from

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<sup>11</sup> Individuals also may request a copy of their *Statement* outside of these times.

<sup>12</sup> Barbara Smith and Kenneth Couch, "[The Social Security Statement: Background, Implementation, and Recent Developments](#)," in *Social Security Bulletin*, Vol. 74, No. 2, 2014.

<sup>13</sup> Barbara Smith and Kenneth Couch, "The Contribution of the Social Security Statement to the Retirement Security of American Workers," paper presented at the Financial Security Research Symposium, U.S. Treasury Department, Washington, DC, September 7, 2016.

providing basic information about benefits, to delving into the details of benefit calculations, factors to consider in claiming decisions, and more.

We offer a variety of online calculators. One of these, [the Retirement Estimator](#), allows an individual to input a few pieces of personal information and receive an estimate of benefits that would be payable if he or she were to claim benefits at age 62, at FRA, at age 70, or at any age in between based upon his or her actual earnings information. The Retirement Estimator lets individuals enter different future earnings information, retirement dates, and scenarios to help decide the best time to retire. We also offer a [Life Expectancy Calculator](#) to aid people with their retirement planning. This calculator allows an individual to see his or her estimated total life expectancy based on his or her gender and date of birth.

Individuals with a [my Social Security](#) account gain immediate access to their *Statement* online, including both their earnings record and their expected Social Security benefits were the individual to claim benefits at ages 62, FRA, and 70. Currently, over 26 million individuals have signed up for a [my Social Security](#) account.

We also offer substantial information while an individual completes the online application for retirement benefits. Throughout the online retirement application, we provide links that explain why we ask for particular pieces of information or that offer information based on a claimant's individual circumstances. For example, within the online application, when claimants indicate the date they want to start receiving benefits, we provide information to let them know that if they begin receiving their benefit before FRA, their benefits will be permanently reduced. We also provide links to more information about FRA and full benefit amounts. Additionally, we provide a link to a retirement estimator, mentioned earlier, that allows claimants to see what their benefit amount would be at various ages. This level of information is important because most retirement claims are filed online – in 2015, 52 percent of retirement applications were filed online.

### ***Direct Service to Customers***

Our employees are dedicated to providing customers with all the information they need to make a well-informed decision about claiming Social Security benefits. They assist the public in a variety of ways, through face-to-face interaction in the field offices, by telephone, in response to online applications, and by mail.

Employees inform claimants of all benefits for which they and their family members may be eligible; provide monthly benefit amounts at early, full, and delayed retirement ages; and discuss other information the claimant may need to know about Social Security rules, requirements, and benefits. In short, our employees provide customers with information about Social Security and how our rules apply to each customer's individualized situation. At the same time, we instruct our employees not to persuade or influence

claimants about benefit decisions. Rather, our information about Social Security benefits and rules is part of a much larger picture that a claimant and his or her family must put together to make decisions that fit their own circumstances. Our employees are not in a position to know about or discuss a worker’s financial resources, tax situation, health, family history, or other information that may be important when making individual retirement decisions.

### **Ending Use of Breakeven Analysis**

In the past, we used to calculate a “breakeven age” for claimants who were deciding when to claim benefits.<sup>14</sup> We discontinued this practice in 2008 based on concerns within the agency, from stakeholders, and from researchers that its use encouraged early benefit claiming. Breakeven analysis generally weights the discussion toward getting the most money as soon as possible (often by claiming early), and may undervalue Social Security’s annuity protection against the so-called “longevity risk”– the very real risk that an individual or his or her surviving spouse may face deprivation at an advanced age. Based on these concerns, we discontinued using the breakeven concept in 2008. Subsequent research supports this decision. For example, a 2011 study tested different ways of framing or presenting information on Social Security claiming options, and found that use of breakeven framing led to substantially earlier expected claiming dates than other ways of presenting the same information.<sup>15</sup> Additionally, more recent research finds that psychological factors, such as loss aversion and preference for immediate over future rewards, could also encourage earlier claiming of benefits.<sup>16</sup>

### ***Field Office Employee Training***

Our field office employees serve as the face of our agency, providing integral in-person decision-making information to our claimants. To ensure that they are well informed and able to provide exemplary customer service to the public, we train our field office claim specialists through a variety of methods and over the course of their careers. Claims specialists’ training begins with approximately four months of formal entry-level and advanced training. This training covers topics that employees need to perform their jobs, and explains how employees should discuss items with claimants during interviews and in response to questions.

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<sup>14</sup> The breakeven point is the age at which the projected amount of accumulated benefits based on a later retirement (higher monthly benefits) would equal the projected amount of accumulated benefits from retiring early (reduced monthly benefits).

<sup>15</sup> Jeffrey R. Brown, Arie Kapteyn, and Olivia S. Mitchell. [Framing Effects and Expected Social Security Claiming Behavior](#). RAND Working Paper WR-854, April 2011.

<sup>16</sup> Shu, Suzanne B., John W. Payne, and Namika Sagara. 2014. The Psychology of SSA Claiming Decisions: Toward the Understanding and Design of Interventions. Prepared for the 16th Annual Joint Meeting of the Retirement Research Consortium, August 7-8, 2014.



After formal training, claims specialists enter into a mentorship under a journeyman employee until they have shown their proficiency in their job duties. To ensure that our employees retain their knowledge and are aware of any updates to policy and procedure, we offer continued training even after an employee has been certified to complete work independently, and such training continues throughout his or her career.

### ***Collaboration***

Public outreach is an essential part of our strategy to educate the public on the retirement benefit options available. We provide the public with critical information about our programs, benefits, and services. To this end, we participate in ongoing communications and collaborations with key national organizations, advocacy groups, Federal agencies, and state and local government organizations.

We collaborate with a number of outside organizations on research and other projects to expand our understanding of retirement claiming decisions and related factors, and to improve how we explain this information to the public. For example, we are working with the White House Social and Behavioral Sciences Team to use insights from the behavioral sciences to improve how we explain options that individuals have about the retirement earnings test and claiming options. We are also partnering with AARP to explore messaging about claiming ages (such as at full retirement and early retirement). In addition, we support a nationally-representative panel survey that allows us to determine what participants know about Social Security, how they want to receive information from us, and how well they understand particular messages or terminology about retirement claiming.

We also work with other Federal agencies to provide people with the information tools they need to plan for retirement and to encourage financial readiness. For example, we partnered with the Department of Labor to develop and publicize the Retirement Toolkit. This toolkit includes information on Social Security benefits and claiming, Medicare, retirement savings, and other related topics. We also recently co-hosted a public Financial Security Research Symposium with the Department of the Treasury, as part of the Financial Literacy and Education Commission.

These collaborations, and others like them, further our understanding of how best to explain complicated claiming information in a way that promotes informed decision-making for all of our claimants. We are using empirical evidence to improve tools and techniques to help our customers make informed decisions about claiming Social Security retirement benefits.

### **Funding**

Finally, I would like to emphasize our need for adequate, sustained funding to carry out Social Security's core missions, including our commitment to provide the world-class

service that this Committee, the GAO, and our public expect. When workers contribute 6.2 percent of their earnings throughout their working lives into the Social Security program, they are paying not only for insurance protection and a monthly insurance benefit. They are also paying for the comprehensive service they expect from us before and when they claim benefits.

However, our operating budget (excluding dedicated program integrity funds) to administer Social Security has been severely constrained in recent years. SSA's core operating budget has shrunk by 10 percent since 2010 after adjusting for inflation, even as the number of Social Security beneficiaries has risen by 12 percent over the same time. We expect to serve a record number of claimants and beneficiaries in FY 2017. And large numbers of claimants and beneficiaries continue to come to us expecting the services that they paid for throughout their working lives. We do not expect this to subside in the foreseeable future, as the first boomers reached age 62 only in 2008 (and the last ones will not reach that age until the mid-2020s).

But we can only do so much when we receive far less money than we need, even as our workloads are increasing with the baby boomers reaching retirement age. Our FY 2016 enacted budget was \$350 million less than the President's request. Given the significant demand for our services and the budget constraints of recent years, the result has been that more people are waiting to be served at field offices, more people are waiting longer for their claims to be allowed, and more people (over one million) are waiting for their hearings before administrative law judges.

We are greatly concerned about FY 2017 under a continuing resolution or even lower funding levels. Each year we must absorb \$300-350 million inflationary growth in our fixed costs (e.g., payroll, benefits, rent, postage, and guard services), which means less money to do our work and serve the public. We already are faced with a hiring freeze, which means – due to attrition – we are shrinking even as the number of Social Security beneficiaries grows. The House appropriations bill, if enacted, would cut the agency's base administrative funding below the FY 2016 enacted level and result in serious degradation of service. For example, at such low funding levels, we could face up to two weeks of employee furloughs, when our field offices could be closed to the public. The Senate appropriation bill, while higher than the House bill, would still fall short of providing us the funding to serve record numbers of claimants and beneficiaries.

The President's Budget request of \$13.067 billion would provide funding to improve service to the public, and it would allow us to continue mailing *Social Security Statements* to millions of workers. We have demonstrated that we do an excellent job managing our administrative budget despite needing a large infrastructure that requires many people and buildings to be accessible to the public. Our administrative costs are extremely low considering the volume of work we do. In 2015, administrative expenses represented only 0.7 percent of total Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits. Looking at OASI alone, the numbers are even lower,

at 0.4 percent of OASI outgo. Again, that is *less than one-half of one percent* – far less than any private sector system for providing life insurance and retirement annuities.

As GAO and many others point out, decisions about claiming retirement benefits have lifelong consequences for retirees and their spouses. It is crucial that we get a funding level that allows us to rebound from this year’s constraints to restore and improve service to the public. We reiterate the critical importance of adequately funding our agency so that we can deliver the level of service the American people deserve and have paid for with Social Security contributions from their paychecks throughout their working lives.

## **Conclusion**

When Congress enacted the Social Security Act in 1935, it did so to provide seniors with benefits based on their earned income to sustain them through their retirement. This continues to be one of the program’s core purposes. But our efforts should not result in pushing our claimants into a one-size-fits-all choice. Our program rules allow individuals to claim their retirement benefits at any time between the ages of 62 and 70, offering individuals the flexibility to start benefits at the date that best suits their needs. Through interaction with agency employees, the *Social Security Statement*, *my Social Security*, and other online tools, our publications, and our outreach efforts, we provide valuable ways for individuals to learn about how claiming decisions may affect their benefits. While there is no “best age” for all individuals to receive their retirement benefits, we design our efforts to ensure that individuals can make informed decisions based on their own circumstances.

Thank you again for inviting me here today. I would be glad to answer any questions.



*Virginia P. Reno*

*Deputy Commissioner*

*for Retirement and Disability Policy*

Virginia P. Reno is the Deputy Commissioner for Retirement and Disability Policy at the Social Security Administration (SSA). She directs and manages policy and operational instructions for the retirement, survivors, disability, and SSI programs, as well as programs promoting the employment of beneficiaries with disabilities. She is also the principal advisor to the Commissioner of Social Security on strategic policy planning, policy research and evaluation, statistical programs, and overall policy development and analysis. Previously, Reno served as Vice President for Income Security Policy at the National Academy of Social Insurance, where she led the Academy's work on Social Security, retirement policy, disability insurance, workers' compensation, and related programs. She directed the Academy's landmark study, *Uncharted Waters: Paying Benefits from Individual Accounts in Federal Retirement Policy*, which was highly regarded by experts on all sides of Social Security policy debates. She also directed the Academy's comprehensive review of Social Security disability programs, culminating in a final report that became the blueprint for many of the changes enacted in the Ticket to Work and Work Incentive Improvement Act of 1999. Before joining the Academy, Reno held research and policy positions at SSA and worked for four major commissions on Social Security, including serving as a senior advisor to the 1983 Greenspan Commission. She received her B.A. from the Honors College of the University of Oregon and served in the Peace Corps in Liberia.

# When to Start Receiving Retirement Benefits



At Social Security, we're often asked, "What's the best age to start receiving retirement benefits?" The answer is that there's no one "best age" for everyone and, ultimately, it's your choice. The most important thing is to make an informed decision. Base your decision about when to apply for benefits on your individual and family circumstances. We hope the following information will help you understand how Social Security fits into your retirement decision.

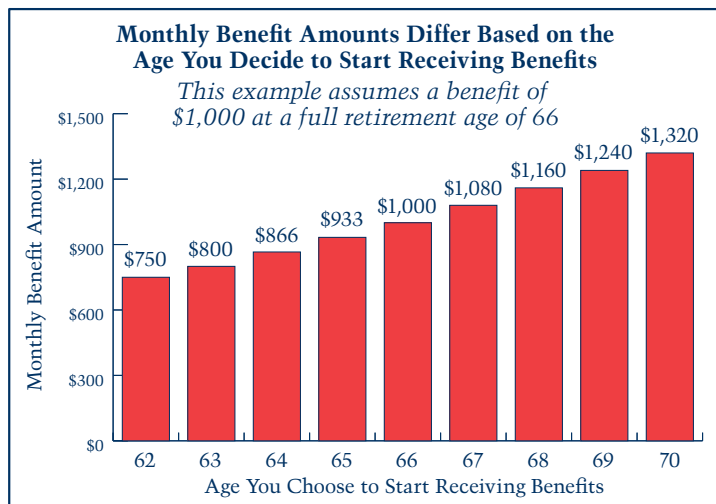
## Your decision is a personal one

Would it be better for you to start getting benefits early with a smaller monthly amount for more years, or wait for a larger monthly payment over a shorter timeframe? The answer is personal and depends on several factors, such as your current cash needs, your current health, and family longevity. Also, consider if you plan to work in retirement and if you have other sources of retirement income. You must also study your future financial needs and obligations, and calculate your future Social Security benefit. We hope you'll weigh all the facts carefully before making the crucial decision about when to begin receiving Social Security benefits.

## Monthly payments differ substantially based on when you start receiving benefits

If you live to the average life expectancy for someone your age, you'll receive about the same amount in lifetime benefits. It doesn't matter if you start receiving benefits at age 62, full retirement age, age 70, or any age in between. The amount of your monthly benefit, however, can differ considerably, based on your retirement age. You can get lower monthly payments for a longer period or higher monthly payments over a shorter period of time. The amount you receive when you first get benefits sets the base for the benefits you'll get for the rest of your life. You'll get annual cost-of-living adjustments and, depending on your work history, may receive higher benefits if you continue to work.

The following chart provides an example of how your monthly benefit can differ based on the age you decide to start receiving benefits.



Let's say your full retirement age is 66 and your monthly benefit starting at that age is \$1,000. If you start getting benefits at age 62, we'll reduce your monthly benefit 25 percent to \$750 to account for the longer time you receive benefits. This decrease is usually permanent.

If you choose to delay getting benefits until age 70, you would increase your monthly benefit to \$1,320. This increase is from delayed retirement credits you earn for your decision to postpone receiving benefits past your full retirement age. The benefit at age 70 in this example is 32 percent more than you would receive each month if you start getting benefits at full retirement age.

## Retirement may be longer than you think

When thinking about retirement, be sure to plan for the long term. Many of us will live much longer than the "average" retiree, and most women live longer than men. More than one in three 65 year olds today will live to age 90, and more than one in seven will live to age 95. Social Security benefits, which last as long as you live, provide valuable protection against outliving savings and other sources of retirement income. Again, you'll want to choose a retirement age based on your circumstances so you'll have enough income when you need it.

(over)

## Your decision could affect your family

Your spouse may be eligible for a benefit based on your work record (we reduce spouse benefits if claimed before the spouse's full retirement age). If you earned more over your lifetime and die before your spouse, they may be eligible for a higher survivor benefit based on your work record. If you begin receiving Social Security benefits early, we can't pay your surviving spouse a full benefit from your record. But, if you wait until full retirement age to get benefits, your surviving spouse — if they're at least full retirement age — will get the same benefit you would have received.

Your children can also be eligible for a benefit on your work record if they're under age 18 or if they have a disability that began before age 22. For them to receive benefits, you must be getting benefits, too.

## You can keep working

When you reach your full retirement age, you can work and earn as much as you want and still get your full Social Security benefit payment. If you're younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

This doesn't mean you must try to limit your earnings. If we withhold some of your benefits because you continue to work, we'll pay you a higher monthly benefit when you reach your full retirement age. So, if you work and earn more than the exempt amount, it won't, on average, decrease the total value of your lifetime benefits from Social Security — and can increase them.

Here is how this works: When you reach full retirement age, we'll recalculate your benefit to give you credit for months you didn't get a benefit because of your earnings. In addition, as long as you continue to work and receive benefits, we'll check your record every year to see whether the extra earnings will increase your monthly benefit.

## Don't forget Medicare

If you plan to delay receiving benefits because you're working, you'll still need to sign up for Medicare three months before reaching age 65. If you don't enroll in Medicare medical insurance or prescription drug coverage when you're first eligible, it can be delayed, and you may have to pay a late enrollment penalty for as long as you have coverage.

## More resources

You can estimate benefit amounts and find more information to help you decide when to start receiving retirement benefits by using our benefits planners at [www.socialsecurity.gov/planners](http://www.socialsecurity.gov/planners). You can also use our Retirement Estimator at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator), or create a **my Social Security** account and get your *Social Security Statement* at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount). Both tools provide retirement benefit estimates based on your actual earnings record.

When you're ready for benefits, you can also apply online at [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits). Many people can continue to work and still receive retirement benefits. If you want more information about how your earnings affect your retirement benefits, read *How Work Affects Your Benefits* (Publication No. 05-10069). This pamphlet has the current annual and monthly earnings limits.

More information — including copies of our publications — is available at [www.socialsecurity.gov](http://www.socialsecurity.gov). You can also call our toll-free number, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call during the week after Tuesday. We treat all calls confidentially. We also want to make sure you receive accurate and courteous service, so a second Social Security representative monitors some telephone calls. We can provide general information by automated phone service 24 hours a day. And, remember, our website, [www.socialsecurity.gov](http://www.socialsecurity.gov), is available to you anytime and anywhere!



Your payment would be about  
**\$1,767 a month**  
at full retirement age

WANDA WORKER  
456 ANYWHERE AVENUE  
MAINTOWN, USA 11111-1111

January 2, 2016

## Your Social Security Statement

Are you thinking about retirement? Are you ready for retirement?

We have tools that can help you!

- Estimate your future retirement benefits at [socialsecurity.gov/estimator](http://socialsecurity.gov/estimator)
- Apply for retirement, spouse's, Medicare, or disability benefits at [socialsecurity.gov/applyforbenefits](http://socialsecurity.gov/applyforbenefits)
- And once you receive benefits, manage your benefits at [myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov)

Your *Social Security Statement* tells you about **how much you or your family would receive** in disability, survivor, or retirement benefits. It also includes our record of your lifetime earnings. Check out your earnings history, and **let us know right away if you find an error**. This is important because we base your benefits on our record of your lifetime earnings.

Social Security benefits are **not intended to be your only source of income when you retire**. On average, Social Security will replace about

To view your *Social Security Statement* online anytime create a **my Social Security** account today!



**my Social Security**  
[myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov)

40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire.

To see your *Statement* online anytime, create a **my Social Security** account at [myaccount.socialsecurity.gov](http://myaccount.socialsecurity.gov).

*Carolyn W. Colvin*

Carolyn W. Colvin  
Acting Commissioner

Follow the Social Security Administration at these social media sites.



# Your Estimated Benefits

<b>*Retirement</b>	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until... your full retirement age (67 years), your payment would be about.....\$ 1,767 a month age 70, your payment would be about .....\$ 2,192 a month age 62, your payment would be about .....\$ 1,228 a month
<b>*Disability</b>	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....\$ 1,748 a month
<b>*Family</b>	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
<b>*Survivors</b>	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits: Your child .....\$ 1,311 a month Your spouse who is caring for your child.....\$ 1,311 a month Your spouse, if benefits start at full retirement age.....\$ 1,748 a month Total family benefits cannot be more than .....\$ 3,186 a month Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
<b>Medicare</b>	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare. <b>* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2034, the payroll taxes collected will be enough to pay only about 79 percent of scheduled benefits.</b> <b>We based your benefit estimates on these facts:</b> Your date of birth (please verify your name on page 1 and this date of birth)..... April 5, 1956 Your estimated taxable earnings per year after 2016 ..... \$44,234 Your Social Security number (only the last four digits are shown to help prevent identity theft)..... XXX-XX-1234

## How Your Benefits Are Estimated

To qualify for benefits, you earn “credits” through your work — up to four each year. This year, for example, you earn one credit for each \$1,260 of wages or self-employment income. When you’ve earned \$5,040, you’ve earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven’t earned enough yet to qualify for any type of benefit, we can’t give you a benefit estimate now. If you continue to work, we’ll give you an estimate when you do qualify.

**What we assumed** — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2016 and later (up to retirement age), we assumed you’ll continue to work and make about the same as you did in 2014 or 2015. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator) to obtain immediate and personalized benefit estimates.

We can’t provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

- (1) Your earnings may increase or decrease in the future.
- (2) After you start receiving benefits, they will be adjusted for cost-of-living increases.

- (3) Your estimated benefits are based on current law. **The law governing benefit amounts may change.**
- (4) Your benefit amount may be affected by **military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.** Visit [www.socialsecurity.gov](http://www.socialsecurity.gov) to learn more.

**Windfall Elimination Provision (WEP)** — In the future, if you receive a pension from employment in which you do not pay Social Security taxes, such as some federal, state or local government work, some nonprofit organizations or foreign employment, and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at [www.socialsecurity.gov/WEP](http://www.socialsecurity.gov/WEP).

**Government Pension Offset (GPO)** — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse’s record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at [www.socialsecurity.gov/GPO](http://www.socialsecurity.gov/GPO).



# Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings	Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1972	209	209	1997	29,216	29,216
1973	531	531	1998	30,992	30,992
1974	970	970	1999	32,969	32,969
1975	1,712	1,712	2000	35,043	35,043
1976	2,419	2,419	2001	36,115	36,115
1977	3,071	3,071	2002	36,676	36,676
1978	3,982	3,982	2003	37,694	37,694
1979	5,386	5,386	2004	39,484	39,484
1980	6,931	6,931	2005	40,937	40,937
1981	8,577	8,577	2006	42,778	42,778
1982	9,923	9,923	2007	44,531	44,531
1983	11,231	11,231	2008	45,197	45,197
1984	12,675	12,675	2009	44,055	44,055
1985	13,908	13,908	2010	44,549	44,549
1986	14,955	14,955	2011	45,110	45,110
1987	16,486	16,486	2012	45,133	45,133
1988	17,833	17,833	2013	44,275	44,275
1989	19,017	19,017	2014	44,234	44,234
1990	20,346	20,346	2015	Not yet recorded	
1991	21,508	21,508			
1992	22,988	22,988			
1993	23,540	23,540			
1994	24,490	24,490			
1995	25,781	25,781			
1996	27,327	27,327			

## Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:

You paid: \$61,279  
 Your employers paid: \$63,109

Estimated taxes paid for Medicare:

You paid: \$14,759  
 Your employers paid: \$14,759

**Note: Currently, you and your employer each pay a 6.2 percent Social Security tax on up to \$118,500 of your earnings and a 1.45\* percent Medicare tax on all your earnings. If you are self-employed, you pay the combined employee and employer amount, which is a 12.4 percent Social Security tax on up to \$118,500 of your net earnings and a 2.9\* percent Medicare tax on your entire net earnings.**

\*If you have earned income of more than \$200,000 (\$250,000 for married couples filing jointly), you must pay 0.9 percent more in Medicare taxes.

## Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

**Review this chart carefully** using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from **last year** may not be shown on your *Statement*. It could be that we still were

processing last year's earnings reports when your *Statement* was prepared. Your complete earnings for last year will be shown on next year's *Statement*. **Note:** If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

**There's a limit on the amount of earnings on which you pay Social Security taxes each year.** The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, **all** of your earnings are taxed for Medicare.)

**Call us right away at 1-800-772-1213** (7 a.m.–7 p.m. your local time) if any earnings for years **before last year** are shown incorrectly. Please have your W-2 or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

# Some Facts About Social Security

## About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, drugs, and other medical services and supplies to people age 65 and older, as well as to people who have been receiving Social Security disability benefits for two years or more. Medicare does not pay for long-term care, so you may want to consider options for private insurance. Your Social Security covered earnings qualify you for both programs. For more information about Medicare, visit [www.medicare.gov](http://www.medicare.gov) or call **1-800-633-4227** (TTY **1-877-486-2048** if you are deaf or hard of hearing).

**Retirement** — If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

**Disability** — If you become disabled before full retirement age, you can receive disability benefits after six months if you have:

- enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

If you are filing for disability benefits, please let us know if you are on active military duty or are a recently discharged veteran, so that we can handle your claim more quickly.

**Family** — If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

**Survivors** — When you die, certain members of your family may be eligible for benefits:

- your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
- your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

**Extra Help with Medicare** — If you know someone who is on Medicare and has limited resources and income, Extra Help is available for prescription drug costs. The Extra Help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit [www.socialsecurity.gov](http://www.socialsecurity.gov) or call **1-800-772-1213** (TTY **1-800-325-0778**).

## Receive benefits and still work...

You can work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. When you apply for benefits, we'll tell you what the limits are and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

## Before you decide to retire...

Carefully consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your monthly benefits will be reduced.

To help you decide the best time to retire, we offer a free publication, *When To Start Receiving Retirement Benefits* (Publication No. 05-10147), that identifies the many factors you should consider before applying. Most people can receive an estimate of their benefit based on their actual Social Security earnings record by going to [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator). You also can calculate future retirement benefits by using the Social Security Benefit Calculators at [www.socialsecurity.gov](http://www.socialsecurity.gov).

Other helpful free publications include:

- *Retirement Benefits* (No. 05-10035)
- *Understanding The Benefits* (No. 05-10024)
- *Your Retirement Benefit: How It Is Figured* (No. 05-10070)
- *Windfall Elimination Provision* (No. 05-10045)
- *Government Pension Offset* (No. 05-10007)
- *Identity Theft And Your Social Security Number* (No. 05-10064)

We also have other leaflets and fact sheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at our website, [www.socialsecurity.gov](http://www.socialsecurity.gov), or by calling us at **1-800-772-1213**. Our website has a list of frequently asked questions that may answer questions you have. We have easy-to-use online applications for benefits that can save you a telephone call or a trip to a field office.

You also may qualify for government benefits outside of Social Security. For more information on these benefits, visit [www.benefits.gov](http://www.benefits.gov).

**If you need more information** — Contact any Social Security office, or call us toll-free at **1-800-772-1213**. (If you are deaf or hard of hearing, you may call our TTY number, **1-800-325-0778**.) If you have questions about your personal information, you must provide your complete Social Security number. If you are in the United States, you also may write to the Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you are outside the United States, please write to the Office of International Operations, P.O. Box 17769, Baltimore, MD 21235-7769, USA.



# Thinking of retiring?

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

## Some things to consider

Retirement can have more than one meaning these days. It can mean that you have applied for Social Security retirement benefits or that you are no longer working. Or it can mean that you have chosen to receive Social Security while still working, either full or part-time. All of these choices are available to you. Your retirement decisions can have very real effects on your ability to maintain a comfortable retirement.

If you retire early, you may not have enough income to enjoy the years ahead of you. Likewise, if you retire late, you'll have a larger income, but fewer years to enjoy it. Everyone needs to try to find the right balance, based on his or her own circumstances.

We hope the following information will help you as you plan for your future retirement and consider your retirement options.

## Avoid a Medicare Penalty Sign Up at Age 65

Even if you don't plan to receive monthly benefits, be sure to sign up for Medicare *three months before* turning age 65. If you don't sign up for Medicare Part B (medical insurance) when you're first eligible, your coverage may not start right away and you may have to pay a late enrollment penalty for as long as you have it. You can apply online. Visit [www.socialsecurity.gov/medicareonly](http://www.socialsecurity.gov/medicareonly) for information and to apply.

## What is the best option for you?

Everyone's situation is different. That is why Social Security has created several retirement planners to help you decide what would be best for you and your family. Social Security has an online calculator that can provide immediate and accurate retirement benefit estimates to help you plan for your retirement.

The online Retirement Estimator is a convenient, secure, and quick financial planning tool. It uses your own earnings record information, thereby eliminating any need to manually key in years of earnings information. The estimator also will let you create "what if" scenarios. You can, for example, change your "stop work" date or expected future earnings to create and compare different retirement options. To use the Retirement Estimator, go to our website at [www.socialsecurity.gov/estimator](http://www.socialsecurity.gov/estimator).

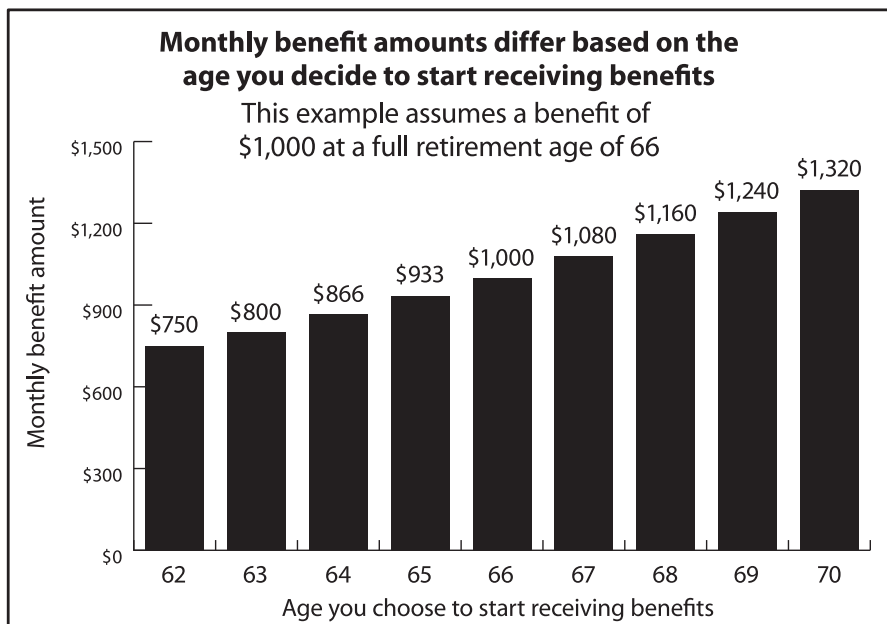
There is one more thing you should remember as you crunch the numbers for your retirement. You may need your income to be sufficient for a long time, because people are living longer than ever before, and generally, women tend to live longer than men. For example:

- The typical 65-year-old today will live to age 83;
- One in four 65-year-olds will live to age 90; and
- One in ten 65-year-olds will live to age 95.

Once you decide on the best age for you to actually retire, remember to complete your application *three months before* the month in which you want retirement benefits to begin.

## It's so easy to apply online for benefits

The easiest way to apply for Social Security retirement benefits is to go online at [www.socialsecurity.gov/applyforbenefits](http://www.socialsecurity.gov/applyforbenefits). If you do not have access to the Internet, you can call **1-800-772-1213** (TTY number, **1-800-325-0778**) between 7 a.m. and 7 p.m., Monday through Friday, to apply by phone. You also can apply at any Social Security office. To avoid having to wait, call first to make an appointment.



# Receiving benefits while you work

When you reach your full retirement age, you can work and earn as much as you want and still receive your full Social Security benefit payment. If you are younger than full retirement age and if your earnings exceed certain dollar amounts, some of your benefit payments during the year will be withheld.

This does not mean you must try to limit your earnings. If we withhold some of your benefits because you continue to work, we will pay you a higher monthly benefit amount when you reach your full retirement age. In other words, if you would like to work and earn more than the exempt amount, you should know that it will not, on average, reduce the total value of lifetime benefits you receive from Social Security—and may actually increase them.

Here is how this works: after you reach full retirement age, we will recalculate your benefit amount to give you credit for any months in which you did not receive some benefit because of your earnings. In addition, as long as you continue to work, we will check your record every year to see whether the additional earnings will increase your monthly benefit.

Many people can continue to work and still receive retirement benefits. If you want more information on how earnings affect your retirement benefits, ask for *How Work Affects Your Benefits* (Publication No. 05-10069), which has current annual and monthly earnings limits, and is available on our website.

# Retirement age considerations

## Full retirement age

For persons born during the years 1943-1954, the full retirement age is 66. If you were not born in this period, you can find your full retirement age on page 2 of your *Social Security Statement*.

## Retiring early

If you've earned 40 credits (credits are explained on page 2 of your *Statement*), you can start receiving Social Security benefits at 62 or at any month between 62 and full retirement age. However, your benefits will be reduced based on the number of months you receive benefits before you reach full retirement age.

If your full retirement age is 66, benefits will be reduced:

- 25 percent at age 62;
- 20 percent at age 63;
- 13½ percent at age 64; or
- 6⅔ percent at age 65.

## Delaying retirement

You may decide to wait beyond your full retirement age before choosing to receive benefits. If

so, your benefit will be increased by a certain percentage for each month you don't receive benefits between your full retirement age and age 70. This table shows the rate your benefits increase if you delay retiring.

Year of birth	Yearly increase rate
1941 - 1942	7.5%
1943 or later	8.0%

## Rules that may affect your survivor

If you are married and die before your spouse, he or she may be eligible for a benefit based on your work record. If you start benefits before your full retirement age, we cannot pay your surviving spouse a full benefit from your record. Also, if you wait until after your full retirement age to begin benefits, the surviving spouse benefits based on your record will be higher.

# Need more information?

You can find answers to frequently asked questions about Social Security, learn about factors that could affect your benefits, and much more by visiting Social Security online at [www.socialsecurity.gov](http://www.socialsecurity.gov).

If you do not have access to the Internet, you can get information about Social Security by calling **1-800-772-1213 (1-800-325-0778** for the deaf or hard of hearing) or by visiting a local Social Security office.

## Other useful websites

[www.mymoney.gov](http://www.mymoney.gov)

This website contains calculators for financial planning and information on money-related matters, such as retirement planning and starting a small business.

[www.dol.gov/ebsa/pdf/nearretirement.pdf](http://www.dol.gov/ebsa/pdf/nearretirement.pdf)

Have you determined how much money you will need in retirement? There are many tools available to help you, such as the *Taking the Mystery Out of Retirement Planning Workbook* available at this link.

[www.sec.gov/investor/seniors.shtml](http://www.sec.gov/investor/seniors.shtml)

Are you looking for information about the investment options available to you as you enter retirement? The Securities and Exchange Commission has a wealth of information on different investment products and topics available at this website.

[www.usa.gov/topics/seniors.shtml](http://www.usa.gov/topics/seniors.shtml)

This website has a variety of resources for seniors on topics including retirement planning, housing, and health.



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