



Jerry Ask, CFP®

# The JKA Report

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AN INVESTMENT NEWSLETTER FOR CLIENTS & PROSPECTS

Provided by Jerry K. Ask Investment Services

## Social Security Retirement Benefit Basics

Social Security benefits are a major source of retirement income for most people. When you begin taking Social Security greatly affects the size of your benefit.

Your Social Security retirement benefit is based on the number of years you've been working and the amount you've earned. When you become entitled to retirement benefits at age 62, the Social Security Administration (SSA) calculates your primary insurance amount (PIA), upon which your retirement benefit will be based, using a formula that takes into account your 35 highest earnings years. At your full retirement age, you'll be entitled to receive that amount. This is known as your full retirement benefit.



### How do you qualify for retirement benefits?

When you work and pay Social Security taxes (FICA on some pay stubs), you earn Social Security credits. You can earn up to 4 credits each year. If you were born after 1928, you will need 40 credits (10 years of work) to be eligible for retirement benefits.

### How much will your retirement benefit be?

Because your retirement benefit is based on your average earnings over your working career, if you have some years of no earnings or low earnings, your benefit amount may be lower than if you had worked steadily. Your age at the time you start receiving benefits also affects your benefit amount. Although you can retire early at age 62, the longer you wait to begin receiving your benefit (up to age 70), the more you'll receive each month.

You can estimate your retirement benefit under current law by using the benefit calculators available on the SSA's website, [www.socialsecurity.gov](http://www.socialsecurity.gov). You can also sign up for an account so that you can view your online Social Security Statement. Your statement contains a detailed record of your earnings, as well as estimates of retirement,

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*“If there is anything that a man can do well, I say let him do it. Give him a chance.”*

—Abraham Lincoln

*“Sometimes when you innovate, you make mistakes. It is best to admit them quickly, and get on with improving your other innovations.”*

—Steve Jobs

survivor’s, and disability benefits, along with other information about Social Security that will be very useful when planning for retirement.

### Retiring at full retirement age

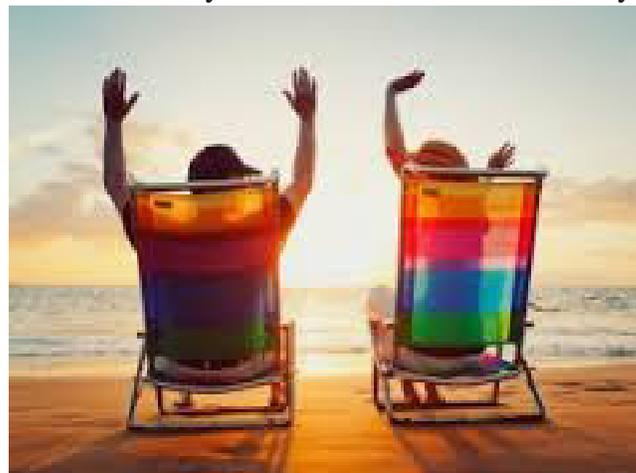
Your full retirement age depends on the year in which you were born. If you retire at full retirement age, you’ll receive an unreduced retirement benefit.

If you were born in:	Your full retirement age is:
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

*Note: If you were born on January 1 of any year, refer to the previous year to determine your full retirement age.*

### Retiring early will reduce your benefit

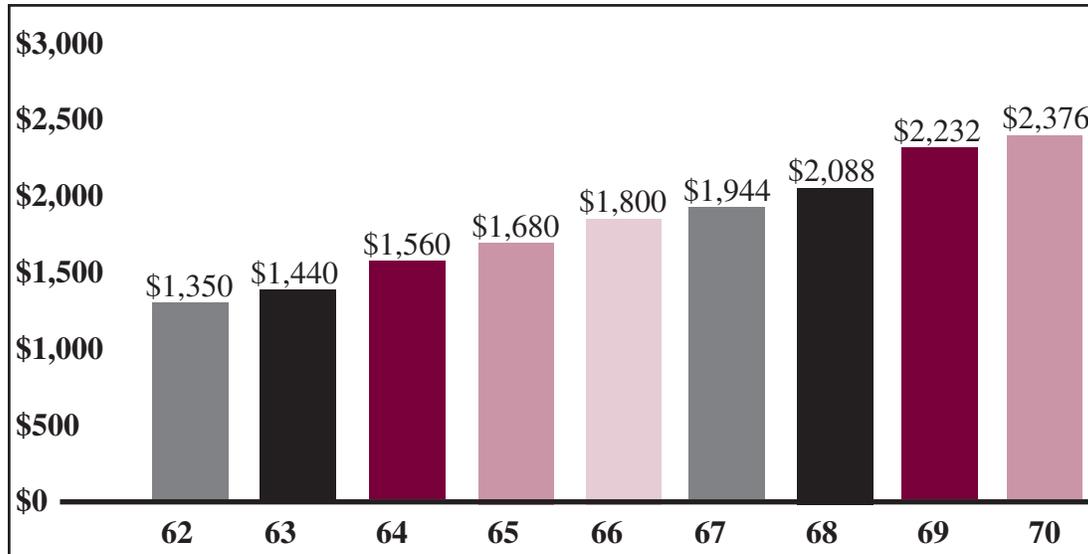
You can begin receiving Social Security benefits before your full retirement age, as early as age 62. However, if you begin receiving benefits early, your Social Security benefit will be less than if you wait until your full retirement



age to begin receiving benefits. Your retirement benefit will be reduced by 5/9ths of 1 percent for every month between your retirement date and your full retirement age, up to 36 months, then by 5/12ths of 1% thereafter. For example, if your full retirement age is 66, you’ll receive about 25% less if you start benefits at age 62 than if you wait until your full retirement age (30% less if your full retirement age is 67). This reduction is permanent—you won’t be eligible for a benefit increase once you reach full retirement age. However, even though your monthly benefit will be less, you might receive the same or more total lifetime benefits as you would have had you waited until full retirement age to start collecting benefits. That’s because even though you’ll receive less per month, you might receive benefits over a longer period of time.

## Monthly benefit example

The following chart illustrates how much a monthly benefit of \$1,800 taken at full retirement age of 66 would be if taken earlier or later than full retirement age. For example, as this chart shows, this \$1,800 benefit would be worth \$1,350 if taken at age 62, and \$2,376 if taken at age 70.



## Working may affect your retirement benefit

You can work and still receive Social Security retirement benefits, but the income that you earn before you reach full retirement age may temporarily affect your benefit. Here's how:

- If you're under full retirement age for the entire year, \$1 of your benefit will be withheld for every \$2 you earn over the annual earnings limit (\$15,120 in 2013).
- A higher earnings limit applies in the year you reach full retirement age, and the calculation is different, too—\$1 of your benefit will be withheld for every \$3 you earn over \$40,080 (in 2013).

Once you reach full retirement age, you can work and earn as much income as you want without reducing your Social Security retirement benefit. And keep in mind that if some of your benefits are withheld prior to your full retirement age, you'll generally receive a higher monthly benefit at full retirement age, because after retirement age the SSA recalculates your benefit every year and gives you credit for those withheld earnings.

## Retirement benefits for qualified family members

Even if your spouse has never worked outside your home or in a job covered by Social Security, he or she may be eligible for spousal benefits based on your Social Security earnings record. Other members of your family may also be eligible. Retirement benefits are generally paid to family members who relied on your income for financial support.

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*“I am certainly not one of the those who need to be prodded. In fact, if anything, I am the prod.”*

—Winston Churchill

*“Whenever you find yourself on the side of majority, it is time to pause and reflect.”*

—Mark Twain

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## Address Service Requested

If you're receiving retirement benefits, the members of your family who may be eligible for family benefits include:

- Your spouse age 62 or older, if married at least 1 year
- Your former spouse age 62 or older, if you were married at least 10 years
- Your spouse or former spouse at any age, if caring for your child who is under age 16 or disabled
- Your children under age 18, if unmarried
- Your children under age 19, if full-time students (through grade 12) or disabled
- Your children older than 18, if severely disabled

Your eligible family members will receive a monthly benefit that is as much as 50% of your benefit. However, the amount that can be paid each month to a family is limited. The total benefit that your family can receive based on your earnings record is about 150% to 180% of your full retirement benefit amount. If the total family benefit exceeds this limit, each family member's benefit will be reduced proportionately. Your benefit won't be affected.

For more information on retirement benefits, contact the Social Security Administration at (800) 772-1213 or visit [www.socialsecurity.gov](http://www.socialsecurity.gov).

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