

How much do you know about your Social Security Benefits?

Social Security Basics



Key Point

Administered by our federal government, Social Security protects you and your family with survivor's benefits, disability benefits, and a monthly retirement benefit. But Social Security is not intended to fully fund your retirement. You will need to save through additional retirement vehicles such as your 401(k).

What is Social Security?

Social Security is a package of protections and benefits that the federal government provides to U.S. wage earners, all of whom are required to pay taxes into the Social Security program, which is similar to an insurance program. The protections include a monthly retirement benefit, but also include important benefits if you become disabled and survivor benefits to help support your family when you die.

When did Social Security begin?

The Social Security Act was signed by President Franklin D. Roosevelt in 1935, as part of the New Deal. It has undergone various changes since then. Today, over 53 million people receive Social Security payments.

Can I retire on my Social Security retirement benefit?

Probably not. In fact, the Social Security Administration does not "bill" its retirement benefit as being sufficient for retirement. According to the official site at www.socialsecurity.gov, "When combined with your savings, investments and other pensions, your Social Security benefits can help you build a secure future for yourself and your family."

Therefore, you can factor your social security retirement benefit into your retirement savings, but you need to take control of your retirement savings, create monetary goals, and reach these goals through additional retirement vehicles such as your 401(k).

How do I know what my Social Security retirement benefit is?

Every year, the Social Security Administration mails you a personalized Social Security Statement about three months prior to your birth month. This statement explains the protections available to you and your family, and indicates your retirement benefit, which is based on your record of earnings. You can also request a benefit statement by contacting the Social Security Administration.

How am I contributing to the Social Security fund? Is my contribution itemized on my paycheck as a deduction?

You contribute to social security through regular payroll deductions, in the amount of 7.65% of your annual salary on the first \$97,500 of earnings (in 2007). Your employer contributes another 7.65% on your behalf. This 7.65% amount includes 6.2% for Social Security and the balance for Medicare.

Your social security taxes are designated as "FICA" taxes on your paycheck deduction itemizations. FICA stands for "Federal Insurance Contributions Act," which simply stands for the tax provision of the Social Security Act.

Take Action

To learn more about Social Security benefits, visit the official site at www.socialsecurity.gov.

- ▶ Be sure to review your annual Social Security Statement, which is sent automatically and should arrive by mail about three months before your birthday. It explains your Protections and indicates your personal retirement benefit.
- ▶ Review your income history for accuracy since inaccurate reporting can affect your estimated and actual benefit amount.
- ▶ To enroll in your 401(k) or increase your 401(k) contribution, contact your benefits administrator.

When am I eligible to receive the retirement benefit?

For every \$1000 you earn per year (in 2007), you receive one Social Security credit. You can earn up to four of these credits per year. Once you have earned 40 credits, you are eligible to receive the full retirement benefit when you reach full retirement age.

Full retirement age has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. You can elect to receive partial retirement benefits three years prior to your full retirement age and if you delay receiving benefits past your full retirement age, you received a higher amount. The rule of thumb is that the sooner you apply, the lower your benefit will be.

How do the disability benefits work?

Regardless of age, anyone with a physical or mental disability that has prevented them from working at any job paying \$500 minimum per month for a least a year, or who has been diagnosed as having a terminal condition, may be eligible for disability benefits. Like Social Security Income benefits, you must have a certain number of 'credits' from earnings to be eligible for disability benefit. More information on disability eligibility and applying for benefits is available on the Social Security Administration's website.

What is a survivor benefit?

When you die, your spouse or minor children may be eligible to receive survivor benefits, as well as a one-time, lump sum benefit of \$255. Eligible family members include:

- ▶ Your spouse age 60 or older
- ▶ Your spouse age 50 or older if disabled or any age if caring for a child under 16 years of age
- ▶ Your unmarried children under age 18
- ▶ Your children under age 19 but still in school
- ▶ Your disabled children age 18 or older
- ▶ Your parents if you were their primary provider of support

The benefit amount is based on several factors include the number of credits from earnings, average income earned, as well as a percentage based on the age of the surviving spouse and the type of benefit applying for.

To apply for survivor benefits, the family member or other person responsible for the deceased's affairs should promptly notify Social Security of the beneficiary's death by calling the Social Security Administration at 1-800-772-1213.

How do I apply for my Social Security retirement benefits?

There are several methods available to apply for benefits including online, by phone, by mail, and in person. If you want to apply in person, call ahead and make an appointment at your local SSA office. To find an SSA office near you, look for the "Social Security Office Locator" at www.ssa.gov. There are certain documents you will need to have with you when you apply for benefits and you can find a list of these requirements on the ssa.gov website.

Disclaimers:

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The information on this fact sheet is provided for educational purposes and is cited using a variety of sources including the Social Security Administration. Because regulations regarding this subject changes on an annual basis, check ssa.gov for the most current numbers and data.