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Four Things Women Need to Know about Social Security

Ever since a legal secretary named Ida May Fuller received the first retirement benefit check in 1940, women have been counting on Social Security to provide much-needed retirement income. Social Security provides other important benefits too, including disability and survivor's benefits, that can help women of all ages and their family members.

1. How does Social Security protect you and your family?

When you work and pay Social Security taxes, you're paying for three types of benefits: retirement, disability, and survivor's benefits.

Retirement benefits

Retirement benefits are the cornerstone of the Social Security program. According to the Social Security Administration (SSA), because women are less often covered by retirement plans and live longer on average than men, they are typically more dependent on Social Security retirement benefits. Even if other sources of retirement income are exhausted, Social Security retirement benefits can't be outlived. Many women qualify for benefits based on their own work record, but if you're married, you may also qualify based on your husband's work record.

Disability benefits

During your working years, you may suffer a serious illness or injury that prevents you from earning a living, potentially putting you and your family at financial risk. But if you qualify for Social Security on your earnings record, you may be able to get monthly disability benefits. You must have worked long enough in recent years, have a disability that is expected to last at least a year or result in death, and meet other requirements. If you're receiving disability benefits, certain family members (such as your dependent children) may also be able to collect benefits based on your work record. Because eligibility requirements are strict, Social Security is not a substitute for other types of disability insurance, but it can provide basic income protection.

Survivor's benefits

You probably know the value of having life insurance to financially protect your family, but did you know that Social Security offers valuable income protection as well? If you're qualified for Social Security at your death, your surviving spouse (or ex-spouse), your unmarried dependent children, or your dependent parents may be eligible for benefits based on your earnings record. You also have survivor protection if you're married and your covered spouse dies and you're at least age 60 (or at least age 50 if you're disabled), or at any age if you're caring for your covered child who is younger than age 16 or disabled.

2. How do you qualify for benefits?

When you work in a job where you pay Social Security taxes or self-employment taxes, you earn credits (up to four per year, depending on your earnings) that enable you to qualify for Social Security benefits. In 2012, you earn one credit for each \$1,130 of wages or self-employment income. The number of credits you need to qualify depends on your age and the benefit type.

- For retirement benefits, you generally need to have earned at least 40 credits (10 years of work). However, you may also qualify for spousal benefits based on your husband's work history if you haven't worked long enough to qualify on your own, or if the spousal benefit is greater than the benefit you've earned on your own work record.
- For disability benefits (if you're disabled at age 31 or older), you must have earned at least 20 credits in the 10 years just before you became disabled (different rules apply if you're younger).
- For survivor's benefits for your family members, you need up to 40 credits (10 years of work), but under a special rule, if you've worked for only one and one-half years in the three years just before your death, benefits can be paid to your children and your spouse who is caring for them.

Whether you work full-time, part-time, or are a



For more information about Social Security benefits, visit the Social Security Administration website at www.ssa.gov, or call (800) 772-1213 to speak with a representative. You may also call or visit your local Social Security office.



stay-at-home spouse, parent, or caregiver, it's important to be aware of these rules and to understand how time spent in and out of the workforce might affect your entitlement to Social Security.

3. What will your retirement benefit be?

Your Social Security retirement benefit is based on the number of years you've worked and the amount you've earned. Your benefit is calculated using a formula that takes into account your 35 highest earnings years. If you earned little or nothing in several of those years, it may be to your advantage to work as long as possible, because you may have the opportunity to replace a year of lower earnings with a year of higher earnings, potentially resulting in a higher retirement benefit.

Your benefit will also be affected by your age at the time you begin receiving benefits. If you were born in 1943 or later, full retirement age ranges from 66 to 67, depending on the year you were born. Your full retirement age is the age at which you can apply for an unreduced retirement benefit.

However, you can choose to receive benefits as early as age 62, if you're willing to receive a reduced benefit. At age 62, your benefit will be 25% to 30% less than at full retirement age (this reduction is permanent). On the other hand, you can get a higher payout by delaying retirement past your full retirement age, up to age 70. If you were born in 1943 or later, your benefit will increase by 8% for each year you delay retirement.

For example, the following chart shows how much an estimated monthly benefit at a full retirement age (FRA) of 66 would be worth if you started benefits 4 years early at age 62 (your monthly benefit is reduced by 25%), and how much it would be worth if you waited until age 70--4 years past full retirement age (your monthly benefit is increased by 32%).

Benefit at FRA	Benefit at age 62	Benefit at age 70
\$1,000	\$750	\$1,320
\$1,200	\$900	\$1,584
\$1,400	\$1,050	\$1,888
\$1,600	\$1,200	\$2,112
\$1,800	\$1,350	\$2,376

- **Use the benefit calculators available on the Social Security website to estimate your future retirement, disability, and survivor's benefits**
- **Check your earnings history regularly, and report any name changes right away to the SSA so that your earnings are recorded properly**
- **No matter when you apply for Social Security, you'll be eligible for Medicare at age 65, so make sure you contact the SSA three months before you turn 65 to sign up for Medicare even if you plan to retire later**

What if you're married and qualify for spousal retirement benefits based on your husband's earnings record? In this case, your benefit at full retirement age will generally be equal to 50% of his benefit at full retirement age (subject to adjustments for early and late retirement). If you're eligible for benefits on both your record and your spouse's, you'll generally receive the higher benefit amount.

One easy way to estimate your benefit based on your earnings record is to use the Retirement Estimator available on the SSA website at www.ssa.gov. You can also visit the SSA website to view your personalized Social Security Statement. This statement gives you access to detailed information about your earnings history and estimates for disability, survivor's, and retirement benefits.

4. When should you begin receiving retirement benefits?

Should you begin receiving benefits early and receive smaller payments over a longer period of time, or wait until your full retirement age or later and receive larger benefits over a shorter period of time? There's no "right" answer. It's an individual decision that must be based on many factors, including other sources of retirement income, your marital status, whether you plan to continue working, your life expectancy, and your tax picture.

As a woman, you should pay close attention to how much retirement income Social Security will provide, because you may need to make your retirement dollars stretch over a long period of time. If there's a large gap between your projected expenses and your anticipated income, waiting a few years to retire and start collecting a larger Social Security benefit may improve your financial outlook. What's more, the longer you stay in the workforce, the greater the amount of money you will earn and have available to put into your overall retirement savings. Another plus is that Social Security's annual cost-of-living increases are calculated using your initial year's benefits as a base--the higher the base, the greater your annual increase, something that can help you maintain your standard of living throughout many years of retirement.

This is just an overview of Social Security. There's a lot to learn about this program, and each person's situation is unique. It's a good idea to contact a Social Security representative if you need more information or have questions about your benefits.

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