

SOCIAL SECURITY

A BRIEF OVERVIEW



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SOCIAL SECURITY

A B R I E F O V E R V I E W

What is Social Security and how does it work?

Established in 1935 by the Social Security Act, Social Security was designed to be a financial safety net for older Americans. Prior to the Social Security Act, support for the elderly fell on the shoulders of local government, communities and families.

The Social Security program is built on contributions to the system by workers. While employed, every American pays into social security. Your contributions into the system are withheld from your paycheck and are listed as Federal Insurance Contributions Act (FICA) taxes. Once you've reached your retirement age, you're able to receive benefits.

While FICA taxes support both Social Security and Medicare, technically Medicare is a separate program.

Who is covered by Social Security?

Social Security isn't just for older Americans. The program contains both disability and survivor benefits. Contributions you've made also provide insurance in the event you become disabled and may also provide benefits to your adult children if they become disabled prior to age 22.

Depending on how long you work, your spouse and children can receive Social Security survivor benefits after you die.

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How does my work now affect my benefits?

You accumulate credits based on your earnings. If you were born after 1929, you will need 40 credits to qualify for Social Security retirement benefits.

In 2010, one credit would be earned for every \$1,120 you earn, up to a limit of four credits per year. This figure is adjusted higher each year.

Whether you change jobs or stop working for a period of time, your credits remain on your record.



When can I start receiving retirement payouts?

You can start collecting your Social Security retirement payouts beginning at age 62. You must start collecting payouts prior to age 70 though. This leaves you with an 8 year window to start collecting your benefits.

If you retire prior to age 62, just make sure you have enough retirement income to cover the years before your benefits kick in.

You can learn more about Social Security by visiting the Social Security Administrations website at <http://www.socialsecurity.gov>

Why should I wait to start collecting benefits?

The longer you wait to start collecting your Social Security retirement benefits, the larger those payouts will be. You're probably asking yourself "why?" In order to receive the full retirement payout you've worked your whole life to earn, the government makes you wait until you've reached the "full retirement age."

The full retirement age varies based on when you were born. The full retirement age used to be 65, but in 1983 Congress voted to raise the age to 67 for individuals born in 1960 or later. To find out your full retirement age visit <http://www.ssa.gov/retire2/retirechart.htm>

As a general rule, early or late retirement will give you about the same total Social Security benefits over your lifetime.



If you retire early, the monthly benefit amounts will be smaller to take into account the longer period you will receive them. If you retire late, you will get benefits for a shorter period of time but the monthly

amounts will be larger to make up for the months when you did not receive anything.

There are advantages and disadvantages to taking your benefit before your full retirement age. The advantage is that you collect benefits for a longer period of time. The disadvantage is your benefit is reduced.

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How much will I receive once I start collecting benefits?

Once a year, the Social Security Administration will send you your annual benefits statement. In the statement, it will illustrate how much money you would receive in benefits if you wait until your full retirement age.

You can also estimate your benefit amount by using the Social Security Administrations calculator. You can access this at:

<http://www.socialsecurity.gov/retire2/estimator.htm>

Keep in mind, that the younger you are, the less accurate your estimate will be, because your future earnings will play an important role

Knowing when and how to claim your Social Security retirement benefits can be confusing and sometimes overwhelming. Make sure you ask questions and more importantly, make sure you understand the answers.

If you have any questions about the information in this guide, or would like to setup a time meet about your retirement and social security benefits, please don't hesitate to give us a call.

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