

# Financial

The Fundamentals of Financial Well-Being



## Understanding Social Security





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Everybody's situation is unique. The decisions you make regarding your Social Security benefits shouldn't be based on a one-size-fits-all assumption. Your choices should be based on your individual needs and health considerations.

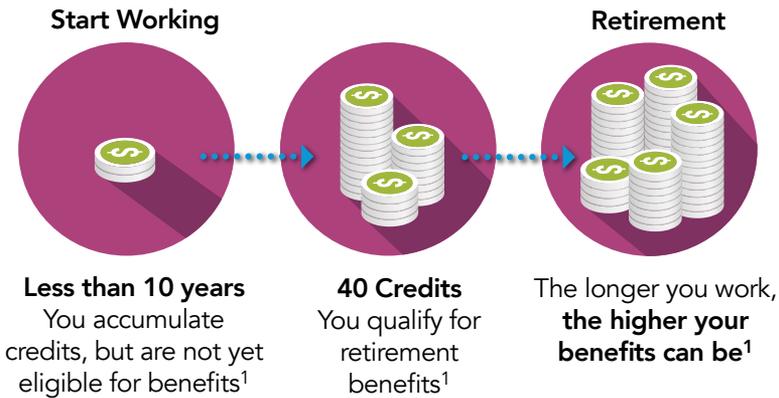
Therefore, it is important to acquire as much information as possible in order to make an informed Social Security filing decision. Final decisions about Social Security filing strategies always rest with you.

One year after the Social Security filing decision is made, your options for making a change are limited.

# Social Security eligibility

Eligibility for Social Security retirement benefits is determined by the Social Security credits you have accumulated over your working life and by your age when you file for benefits. Anyone born in 1929 or later must have 40 credits (10 years of work) to qualify for retirement benefits. The longer you work, the more Social Security credits you will earn.

**The amount you contribute and how long you work determines how much your available benefits will be.**



**Full Retirement Age (FRA)** is the age at which you are entitled to receive full Social Security retirement benefits available to you and is based on the year you were born.

<b>Year of Birth</b>	<b>Full Retirement Age</b>
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 and later	67

<sup>1</sup> Social Security Administration, Benefits Planner: Social Security Credits, <http://www.ssa.gov/retire2/credits.htm>

# When to file for benefits

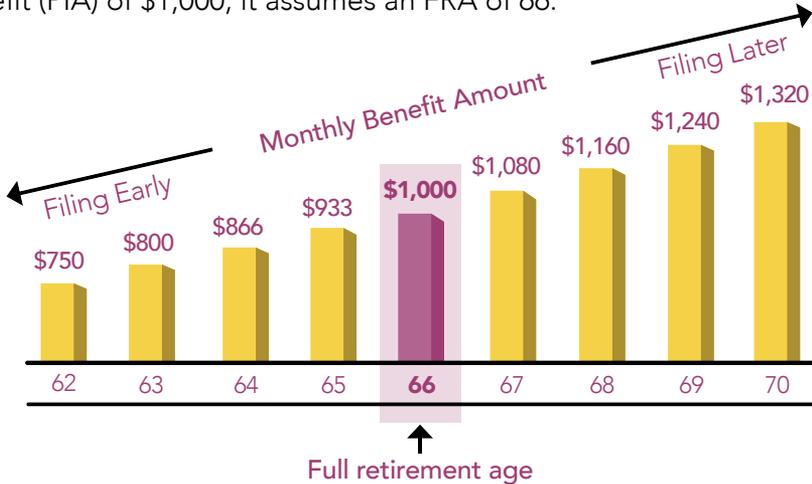
The age at which you begin receiving benefits is one of the most important factors affecting the amount of your monthly benefit.

**Your Primary Insurance Amount (PIA)** is the benefit you would receive if you were to begin collecting retirement benefits at your full retirement age.

At this age, the benefit is neither reduced for early retirement nor increased for delayed retirement.<sup>2</sup>

## Timing is everything.

The chart below shows the effects that claiming age has on a hypothetical monthly Social Security benefit (PIA) of \$1,000; it assumes an FRA of 66.



**At full retirement age:** The full monthly benefit (PIA) of \$1,000 is paid.

**Before full retirement age:** The monthly benefit is reduced. If benefits are claimed at age 62, there is a 25% decrease.

**After full retirement age:** The monthly benefit increases for every year claiming is delayed, up until age 70. In this case, the monthly benefit at age 70 offers a 32% increase.

<sup>2</sup> Source: Social Security Administration, Primary Insurance Amount, <http://ssa.gov/OACT/COLA/piaformula.html>

# Benefits for spouses

Social Security spousal benefits may be available for current spouses, widowed spouses and ex-spouses. Even spouses who have never worked under Social Security may be eligible to receive benefits if they are at least 62 years old and their spouse is receiving or eligible for retirement or disability benefits. Same-sex married couples are recognized as married to determine entitlement to Social Security retirement benefits.

For some married couples and divorced couples, coordinating benefit filing ages remains a powerful way to maximize benefits.

**Current Spouses:** Current spouses may receive either a benefit based on their own earnings history or an amount equal to 50% of their spouse's benefit – whichever amount is greater. In other words, if a spouse is eligible for a retirement benefit based on his or her individual earnings and that benefit is higher than the spousal benefit he or she would receive, then Social Security will pay the higher individual benefit.

**Divorced Spouses:** If your marriage lasted for 10 years or longer, you can receive benefits on your ex-spouse's record if you are currently unmarried, are age 62 or older, your ex-spouse is entitled to Social Security retirement benefits, and the benefit you are entitled to receive based on your work experience is less than the benefit you would receive based on your ex-spouse's work.<sup>3</sup>

**Widowed Spouses:** In general, a widow or widower could receive full benefits at full retirement age or older, reduced benefits as early as age 60, or benefits as early as age 50 if the surviving spouse is disabled and the disability started before or within seven years of the worker's death.<sup>4</sup>

**File-and-Restrict Strategy:** "File-and-restrict" strategy is an additional spousal benefit filing approach that may be available to you. This filing method allows you to collect a spousal benefit while your own benefit increases with delayed retirement credits. To qualify, you must be age 62 or older on January 1, 2016, and must have reached full retirement age. At full retirement age, you can collect spousal benefits until age 70, and then begin collecting your own benefit thereafter.

<sup>3</sup> Social Security Administration, Retirement Planner: Benefits for Your Divorced Spouse, <http://www.socialsecurity.gov/retire2/yourdivspouse.htm>

<sup>4</sup> Social Security Administration, Retirement Planner: Survivor Benefits for Your Widow or Widower, <http://www.socialsecurity.gov/survivorplan/onyourown2.htm>

# Working after you begin collecting

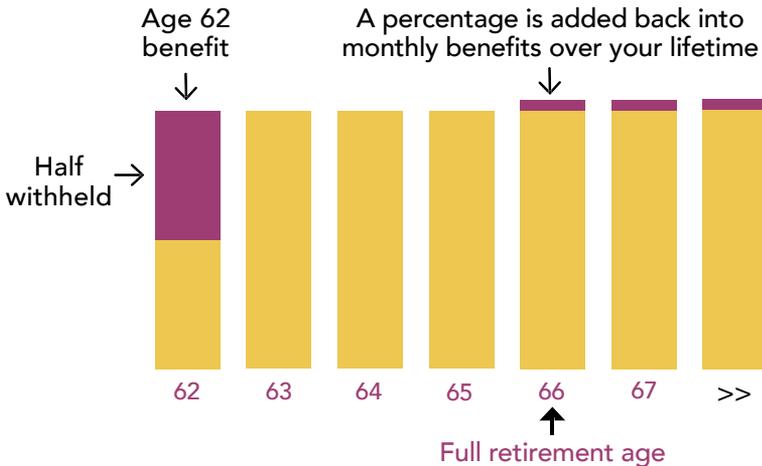
If you work after filing for Social Security retirement benefits, you will be subject to an “earnings test” until you reach your full retirement age. If your earned income exceeds the specified income limit, Social Security will withhold all or a portion of your benefits.

## Income Limits for 2020

Social Security withholds \$1 for every:	You earn above:	
\$2	\$18,240/year	In calendar years before you reach full retirement age
\$3	\$48,600/year	In the calendar year in which you reach full retirement age

## Benefits withheld are not lost

If Social Security benefits are reduced or withheld because of money you earned after you started receiving benefits, when you reach full retirement age, Social Security will increase your monthly benefit to account for payments that were withheld due to those earlier earnings.



# Don't rely on Social Security alone

The Social Security retirement benefits you are eligible for should be a critical component of your overall retirement plan.

But chances are Social Security retirement benefits alone won't be enough. You need additional sources of retirement income – as well as savings – to ensure your retirement is as secure as it can be.

Go to [www.socialsecurity.gov](http://www.socialsecurity.gov) and create your own Social Security account. This will provide you with information regarding credits earned and expected PIA available to you, and will help you be better prepared when you begin to make decisions around when and how you will file for retirement benefits.

## Important Considerations

*The Social Security program was created by an Act of Congress. It is subject to change. In the past, Congress has made changes to the law which have impacted Social Security benefits.*

*Congress can make changes to the law at any time that might impact benefits in the future.*

*If you work for an employer that offers a retirement plan, your plan benefit may be subject to a Social Security "pension offset" provision. (Your 401(k) contributions and the employer match are not subject to a pension offset.) A pension offset may reduce the amount of your retirement plan benefit when you become eligible to collect Social Security retirement benefits.*

*This reduction may apply whether or not you are collecting Social Security retirement benefits. This could be an important consideration as you make your filing decision. Your plan administrator can tell you whether your plan includes a Social Security pension offset provision and how it might affect your retirement plan benefit.*

*Some people, especially certain federal, state and local government workers, may be subject to the "Government Pension Offset" (GPO) and the "Windfall Elimination Provision" (WEP) which could decrease their Social Security Benefits.*

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Resources for More Information:

- [www.ssa.gov](http://www.ssa.gov)
- [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/)
- [www.ssa.gov/agency/contact/](http://www.ssa.gov/agency/contact/)

Detailed information is available to you by visiting the Social Security Administration website at [www.socialsecurity.gov](http://www.socialsecurity.gov) or by calling the Social Security Administration toll-free at 1-800-772-1213. For the hearing impaired, the TTY number is 1-800-325-0778.

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