



Social Security was originally intended to provide older Americans with continuing income after retirement. Today, though the scope of Social Security has been widened to include survivor, disability, and other benefits, retirement benefits are still the cornerstone of the program.

## 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. You generally need 40 credits (10 years of work) to be eligible for retirement benefits.

## How much will your retirement benefit be?

Your retirement benefit is based on your average earnings over your working career. Higher lifetime earnings result in higher benefits, so 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 retire (up to age 70), the higher your retirement benefit.

You can find out more about future Social Security benefits by signing up for a *my* Social Security account at the Social Security website, [ssa.gov](https://ssa.gov), 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, survivor, and disability benefits. If you're not registered for an online account and are not yet receiving benefits, you'll receive a statement in the mail every year, starting at age 60. You can also use the Retirement Estimator calculator on the Social Security website, as well as other benefit calculators that can help you estimate disability and survivor benefits.

## Retiring at full retirement age

Your full retirement age depends on the year in which you were born.

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 and later	67



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

If you retire at full retirement age, you'll receive an unreduced retirement benefit.

### 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 retire 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 percent thereafter. For example, if your full retirement age is 67, you'll receive about 30 percent less if you retire at age 62 than if you wait until age 67 to retire. 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.

### Delaying retirement will increase your benefit

For each month that you delay receiving Social Security retirement benefits past your full retirement age, your benefit will increase by a certain percentage. This percentage varies depending on your year of birth. For example, if you were born in 1943 or later, your benefit will increase 8 percent for each year that you delay receiving benefits, up until age 70. In addition, working past your full retirement age has another benefit: It allows you to add years of earnings to your Social Security record. As a result, you may receive a higher benefit when you do retire, especially if your earnings are higher than in previous years.

### 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 affect the amount of benefit that you receive. Here's how:

- If you're under full retirement age: \$1 in benefits will be deducted for every \$2 in earnings you have above the annual limit
- In the year you reach full retirement age: \$1 in benefits will be deducted for every \$3 you earn over the annual limit (a different limit applies here) until the month you reach full retirement age

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. 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 one 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 unmarried child under age 18
- Your unmarried child under age 19 if a full-time student (through grade 12) or over age 18 and disabled if disability began before age 22

Your eligible family members will receive a monthly benefit that is as much as 50 percent 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 percent 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.

### How do you apply for Social Security retirement benefits?

The SSA recommends that you apply three months before you want your benefits to start. To apply, fill out an application on the SSA website, call the SSA at (800) 772-1213, or make an appointment at your local SSA office.



# Electing Early Social Security Retirement Benefits

## What is it?

### *You can elect to receive retirement benefits early*

As you approach retirement, you must decide when to start receiving your Social Security retirement benefits. You may elect to start receiving Social Security retirement benefits at age 62 rather than waiting until normal (full) retirement age.

### *Your retirement benefit will be permanently reduced*

If you start receiving retirement benefits early, you will get less per month than if you start receiving them at normal retirement age. This benefit reduction will be permanent. If your benefit will be based on your own earnings record, it will be reduced by 5/9ths of 1 percent for each month of early retirement up to 36 months, and by 5/12ths of 1 percent thereafter. If your benefit is based on your living spouse's record, it will be reduced by 25/36ths of 1 percent for each month of early retirement. If your benefit is based on your deceased spouse's record, it will be reduced by 19/40ths of 1 percent for each month of early retirement.

**Example(s):** Robert Jones decides to retire at age 62. If he waits to retire at age 66 (his normal retirement age), he will be entitled to a benefit of 100 percent of his primary insurance amount (PIA) (\$1,000). At age 62, however, his benefit will be reduced by 5/9ths of 1 percent (.55556 percent) for each of the 36 months prior to normal retirement age, and by 5/12ths of 1 percent (.41667 percent) for each of the 12 months thereafter. Thus, his benefit at age 62 will be \$750, 25 percent less than it will be at age 66.

**Tip:** If your normal retirement age is 67, your benefit will be reduced by 30 percent if you choose to retire at age 62.

## When can it be used?

You must be eligible to receive early retirement benefits. In general, you must be:

- At least age 62 and
- Fully insured by age 62 for retirement benefits (in most cases, you must have earned 40 Social Security credits)

### *You must be eligible whether you are retiring voluntarily or involuntarily*

Most likely, you are retiring early because you want to. However, you may need to retire early due to factors beyond your control. Perhaps you are sick or injured, or maybe you've been terminated from your job. If you are retiring sooner than you'd like, you still need to meet the same eligibility requirements as someone who is retiring voluntarily. In cases where you don't meet the eligibility requirements, however, you may have other options. If you are sick or injured, for example, you may qualify for a disability benefit, which may be larger than your early retirement benefit.

### *You must apply for benefits*

Receiving benefits at age 62 is not automatic. The Social Security Administration suggests that you apply three months before the date you want your benefits to start.

## Strengths

### *You will receive more monthly benefit checks if you retire early*

If you retire early, you will receive more benefit checks than if you retire at normal retirement age. For instance, if your normal retirement age is 66 and you retire at age 62, you will receive 48 more benefit checks than you will if you wait until normal retirement age to retire. Even though your benefit at age 62 will be 25 percent less than it will be at age 66, those four years of extra benefit checks add up to a lot of money. Generally, it will take approximately 12 years for the overall value of your retirement benefits taken at normal retirement age to begin to outweigh the value of reduced benefits taken at age 62.



## ***You can invest your Social Security retirement benefit***

Investing your Social Security retirement benefit is an option if you don't need to use all of it for living expenses. If you are able to invest all or part of your Social Security benefit, receiving early retirement benefits might be advantageous. Not only would you receive more benefit payments, but also you would earn money on those payments when you invest them. The rate of return you would receive would depend upon your investment.

Of course, your rate of return (or inflation-adjusted yield) also depends on how inflation affects your investment. In addition to inflation, you also have to consider how taxes may reduce your yield. As the real rate of return increases, the advantage of taking early retirement benefits increases.

## **Tradeoffs**

### ***Your retirement benefit is permanently reduced***

You will receive less per month if you retire early rather than at normal retirement age. This gives you less money to meet your expenses each month, even though your total lifetime benefit may be more than if you waited until normal retirement age to retire. Since some people underestimate how much income they will need when they retire, the reduced benefit may cause them financial hardship.

### ***You will have less chance to increase your average indexed monthly earnings (AIME)***

In general, if you were born after 1928, your benefit is calculated by averaging your 35 highest years of indexed earnings to determine your AIME, then applying a formula to that amount. If you made little or nothing in one or more of those 35 years, waiting to retire until normal retirement age might increase your benefit because each year you wait to retire gives you a chance to earn enough to replace a lower year of earnings in the calculation.

### ***You may live longer than you expect (is that really a tradeoff?)***

When you're planning your retirement, consider your life expectancy. Although you can't know for sure how long you might live, you can make an educated guess based on your current health, your family's history of longevity, and the average life expectancy for someone your age.

### ***Your surviving spouse's benefits may be reduced***

If you die after beginning retirement benefits at normal retirement age, your surviving spouse's benefit at normal retirement age will be 100 percent of your primary insurance amount (PIA). However, if you elect early retirement benefits, then die, the highest benefit your spouse can receive based on your earnings will equal the reduced benefit you were receiving (but not less than 82.5 percent of your PIA). This tradeoff is mitigated somewhat for a working surviving spouse, because at normal retirement age he or she can choose to receive benefits based on his or her own earnings record if that benefit would be greater.

### ***Your family's benefits may be limited by the family maximum***

When you retire, your spouse and dependent children may be entitled to benefits based on your earnings record. If eligible, they can each receive a monthly benefit equal to 50 percent of your unreduced PIA. However, the benefit paid to each family member will be reduced if your combined family benefit exceeds the family maximum (150 percent to 180 percent of a worker's PIA). Therefore, if you retire early, you will be penalized twice. First, your benefit will be reduced for each month you retire early, and secondly, your family members will each receive a reduced benefit if the family maximum has been exceeded.

### ***An earned income limit applies to earnings before normal retirement age***

If you retire early (prior to normal retirement age), money you earn after you retire may reduce your Social Security benefit. However, if you wait to retire until your normal retirement age, you can earn as much as you like without reducing your Social Security benefit. This means that if you plan on earning a lot of money after you retire, it might be advantageous for you to retire at normal retirement age rather than earlier.



## How to do it

### ***Decide whether you want to retire early by weighing your options***

Although for some people, the financial advantage of retiring early will outweigh other concerns, you should carefully consider all aspects of retirement before deciding to retire early. Consider the following questions:

- Will your lifetime benefit be higher if you retire early or you retire at normal retirement age?
- Can you wait to receive benefits, or will you need retirement income as soon as you retire?
- Are you emotionally ready to retire?
- Do you anticipate going back to work after you retire?
- How will your early retirement affect your family? Will their Social Security benefits be affected? Will your benefits be subject to the family maximum?
- How will you pay for medical insurance coverage until age 65 (when you become eligible for Medicare)?

You can estimate your retirement benefit online using the Retirement Estimator calculator on the Social Security website ([ssa.gov](https://ssa.gov)). You can create different scenarios based on current law that will illustrate how different earnings amounts and retirement ages will affect the benefit you receive.

### ***Fill out an application with the SSA***

If you are eligible for retirement benefits and want to retire early, fill out a benefit application three months before your 62nd birthday (or before your retirement date, if later). To apply for Social Security benefits, you can fill out an application on the SSA website, or call or visit your local Social Security office. You can also call the SSA at (800) 772-1213 to discuss your options or get more information about the application process.

## Tax considerations

### ***If you retire early, will your benefits be taxed differently?***

Social Security retirement benefits received at any age are not taxed if your total income (modified adjusted gross income) plus one half of your Social Security is \$32,000 or less if you file a joint tax return or \$25,000 or less if you file a single tax return. If your total income plus one half of your Social Security exceeds this amount, then up to 85 percent of your Social Security benefit may be taxed, depending on the circumstances. If you think that your earnings prior to normal retirement age will make your Social Security benefits taxable, you can either try to reduce your earned income or consider retiring later (if doing so would lessen your tax liability).

**Tip:** *Special rules may apply if you file as married filing separately and you lived with your spouse at any time during the year.*

## Questions & Answers

### ***If your company is downsizing and you are close to age 62, should you apply for early retirement benefits or look for another job?***

Retiring early may be the right decision for you, but don't decide hastily. Take time to consider both your personal needs and your financial ones. If you weren't being laid off, would you retire early anyway? If the answer to this question is yes, then early retirement might be right for you. If the answer is no or if you're not sure, consider other options. If your employer is giving you severance pay, you might have enough income to be able to postpone retirement past age 62. For every month you postpone retirement, your monthly benefit will increase. You might also be eligible for unemployment benefits that will enable you to postpone retirement.

### ***If you become disabled at or after age 62 and have not yet retired, is it better to apply for Social Security disability benefits or early retirement benefits?***

If you're unable to work because of illness or injury at any age, you may qualify for Social Security disability benefits. Although there is a five-month waiting period for benefits, once you begin receiving benefits you will receive 100 percent of your primary insurance amount (PIA). Even though there is no waiting period for early retirement benefits, you will receive only 70 to 75 percent of your PIA (depending on your normal retirement age) if you begin collecting retirement benefits at age 62. In addition, once you



have disability status, you will be eligible for a trial work period. You have nine months to try to work and still receive your disability benefit. If you retire early, you can always go back to work, but your earnings may reduce or eliminate your benefit. However, be aware that qualifying for Social Security disability benefits may be difficult.

***If you want to elect delayed retirement benefits and you are married, does this mean that your spouse won't be able to elect early retirement benefits?***

Not exactly. Your spouse can begin collecting Social Security retirement benefits based on his or her own earnings record at age 62, whether or not you are retired. However, if your spouse wants to base his or her benefit on your earnings record, he or she has to wait until you retire to begin receiving benefits.

***How will your spouse's benefit be affected if you elect to receive early retirement benefits but your spouse is already at normal retirement age and wants to receive benefits based on your PIA?***

Your spouse's benefit will not be reduced if you retire early. A spouse's retirement benefit is only reduced if the spouse is under normal retirement age and decides to receive retirement benefits early. Because your spouse is already normal retirement age, his or her benefit will be 50 percent of your PIA, the same benefit he or she would receive if you retired at normal retirement age.

***Will your dependent child receive less benefit if you elect early retirement benefits than he or she would if you retired at normal retirement age?***

No. If you retire early, your child will receive a benefit equal to 50 percent of your PIA, the same benefit he or she will receive if you retire at normal retirement age.

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