Many people assume that they have to begin receiving Social Security retirement benefits as soon as they retire and stop working. But that's not the case. Retiring and claiming Social Security benefits are different. You have options, and learning about them may help you make a well-informed decision about when to start receiving your benefits.

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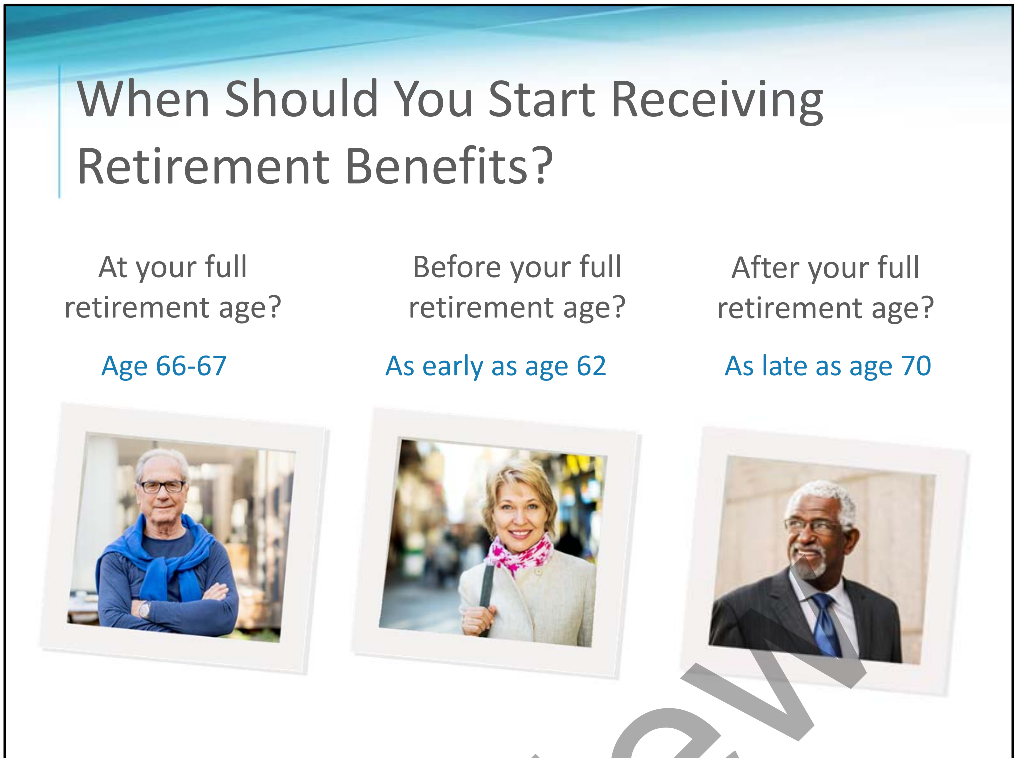
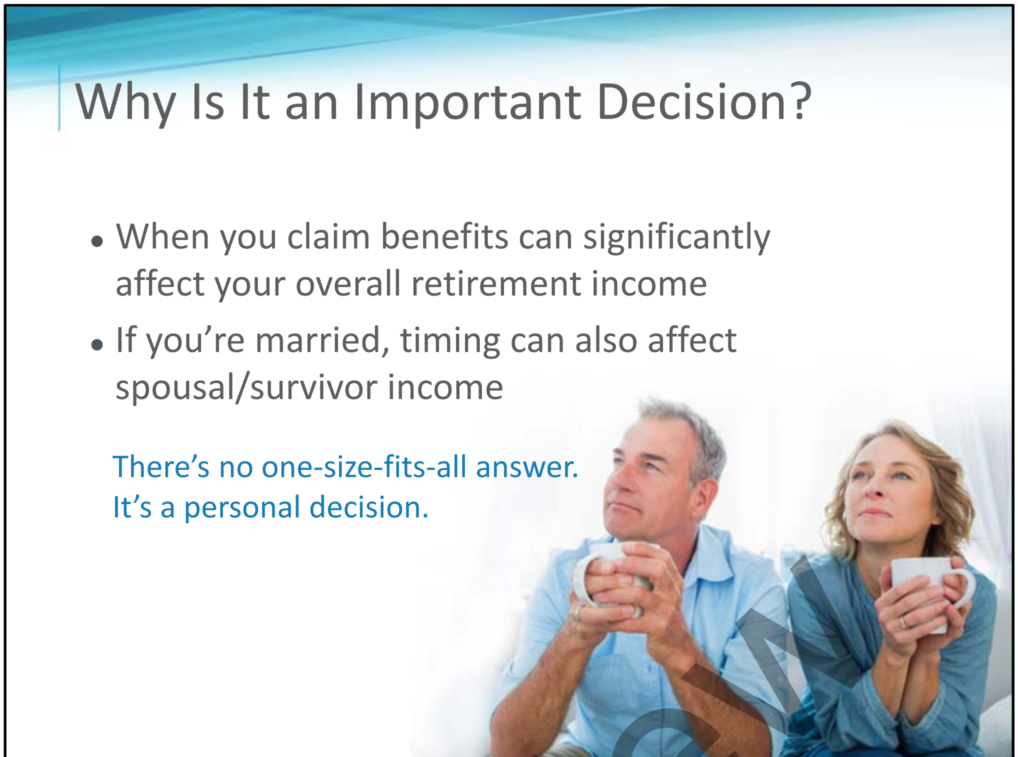


As you approach retirement, when to claim your Social Security retirement benefit is one of the biggest financial decisions you'll need to make.

Should you begin receiving benefits at your full retirement age which is 66 to 67, depending on your year of birth?

Should you begin receiving a smaller monthly benefit before your full retirement age, as early as age 62?

Or, should you wait past full retirement age to receive a larger monthly benefit? You can delay receiving benefits up to age 70.



As important as your decision is, there's no one-size-fits-all answer. It's a personal decision that must be made based on your unique circumstances.

Of course, sometimes the answer is simple. You may have to claim Social Security benefits as early as possible if you need Social Security income right away to meet day-to-day living expenses, perhaps because of illness, disability, or unemployment. But if that's not the case — if you have other sources of retirement income or you want to continue working, for example — you'll want to take the time to make an informed, well-reasoned decision about your Social Security benefits.

If you're like most people, you've paid into the Social Security system for years, and you'd like to get the most out of it that you can. So to start, here are two major reasons why when you claim Social Security is so important.

First, when you claim benefits can significantly affect your overall retirement income. With pensions disappearing, Social Security remains the major source of guaranteed lifetime retirement income for most Americans. Once you apply, your retirement benefit will be locked in for the remainder of your life, in most circumstances (not counting annual inflation adjustments or recalculations to account for additional work), so taking time to explore your options now can help you make sure you have enough retirement income later.

The timing of benefits can also affect your spouse, because he or she may be entitled to receive spousal retirement benefits and survivor benefits based on the amount you receive.

What Should You Consider?

- Your full retirement age and benefit calculation
- Amount of your future benefit and effect of early or delayed retirement
- How long you expect retirement to last based on life expectancy
- Whether you plan to continue working
- Other sources of retirement income
- Income taxes
- How your spouse might be affected

There’s a lot to consider as you make this decision. Here are some of the factors that this presentation will discuss:

Your full retirement age, and how your benefit is calculated
<CLICK>The amount of your future retirement benefit and the effect of taking benefits early or late
<CLICK>How many years you expect to spend in retirement, based on life expectancy
<CLICK>Whether you plan to continue working
<CLICK>Your other retirement income sources
<CLICK>Your income tax picture
<CLICK>How your decision will affect your spouse and the benefits he or she can receive

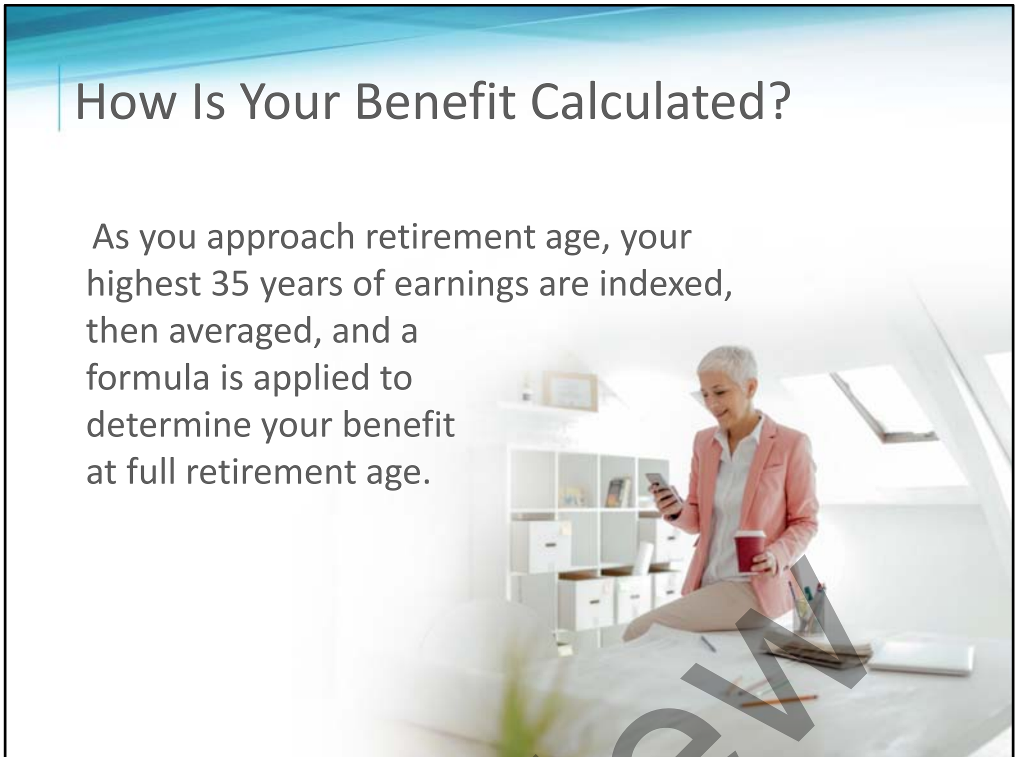
What Is Your Full Retirement Age?

Your full retirement age is the age at which you can receive a full (unreduced) Social Security retirement benefit.

Year of birth	Full retirement age
1943–54	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 & later	67

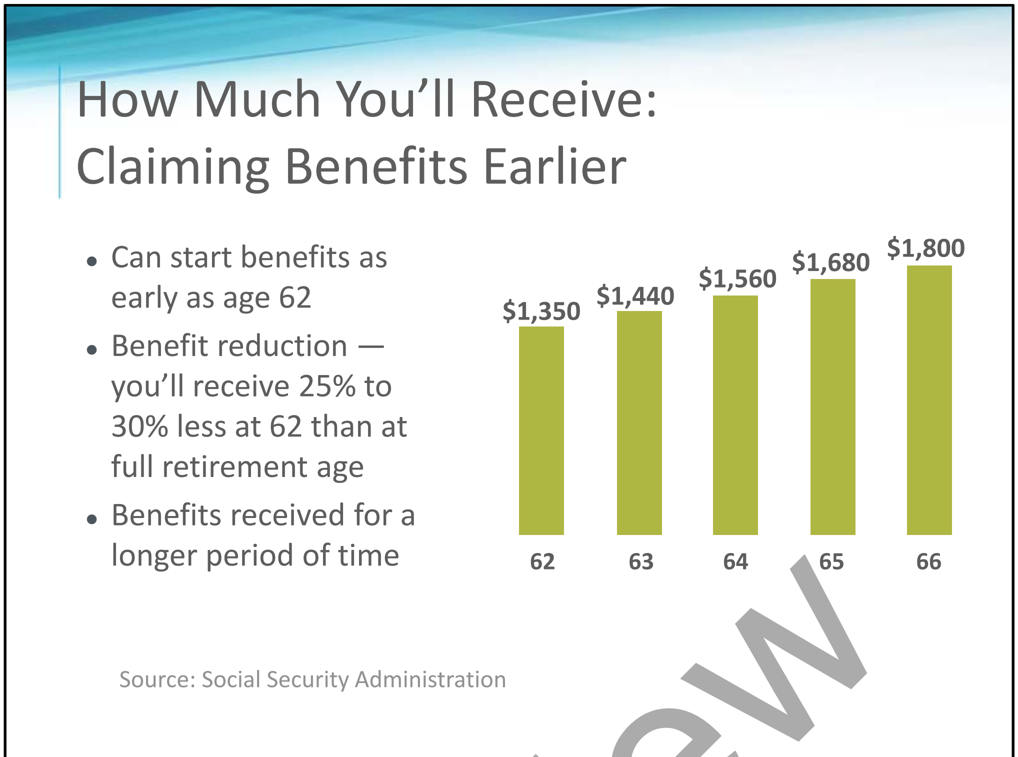
So let's start with two basic things you need to know as you begin to explore your options. First, what is your full retirement age? It's the age at which you can receive a full, or unreduced, Social Security retirement benefit. Your full retirement age ranges from 66 to 67, depending on the year you were born, as shown on this chart. If you begin receiving benefits earlier than this age, you'll receive a reduced benefit. If you begin receiving benefits after this age, you'll receive a higher benefit because you will earn delayed retirement credits. Other benefits that you or your family members can receive are also based on what you're eligible to receive at your full retirement age.

The second thing you'll want to understand is how your full retirement benefit is calculated. The benefit calculation is complicated and beyond the scope of this presentation, but here's a brief overview.



Your Social Security retirement benefit is based on the number of years you've been working and your earnings over those years. To qualify for Social Security retirement benefits, you must have worked at least 10 years in Social Security covered employment. When you become eligible for benefits at age 62, the Social Security Administration calculates your full retirement benefit. Your highest 35 years of earnings are indexed to adjust for inflation, then they are averaged. Finally, a formula is applied to determine what's called your full retirement benefit. You may also hear your full retirement benefit referred to as your basic benefit or "primary insurance amount."

If you retire at full retirement age, you will receive 100% of this amount. But if you begin receiving your retirement benefit earlier, your benefit will be reduced by a certain percentage for each month you receive benefits early.

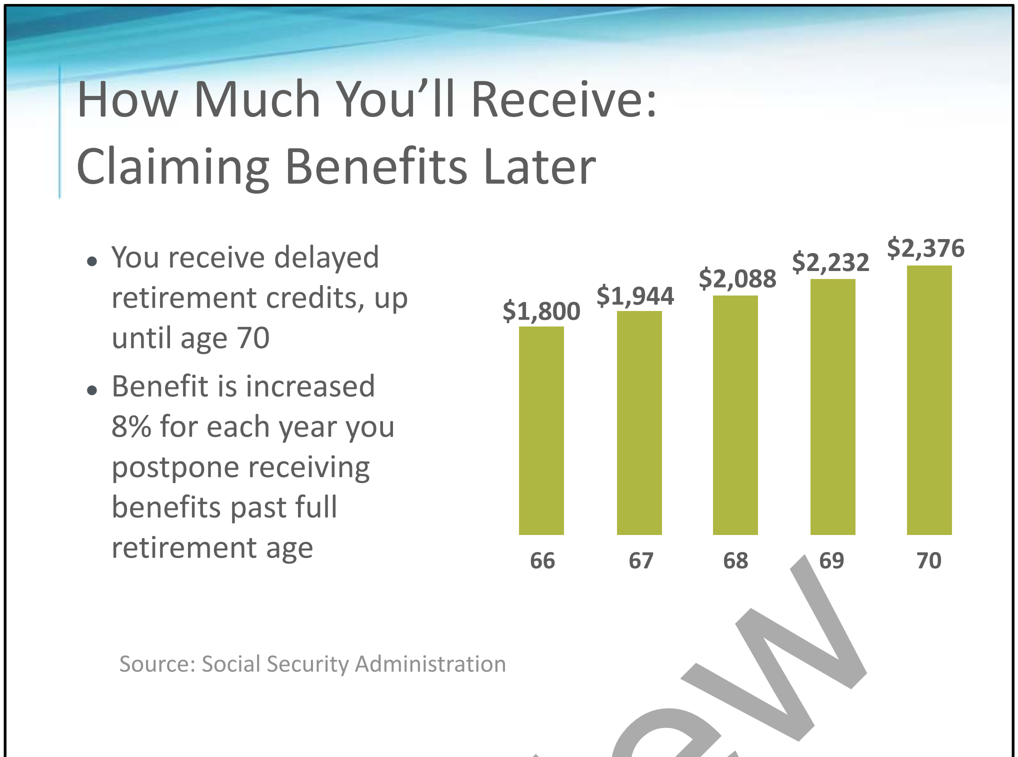


So let's take a closer look at how much you'll receive if you want to start receiving benefits earlier than your full retirement age. Currently, the earliest age at which you can receive Social Security retirement benefits is 62. But choosing to claim benefits early has financial consequences, because it will permanently reduce the amount you'll receive.

<CLICK>Your benefit is reduced by a certain percentage for each month you receive benefits early. If your full retirement age is 66, this equates to a 25% benefit reduction at age 62; if your full retirement age is 67, this equates to a 30% reduction.

Here's an example. Let's say your full retirement age is 66, and you decide to apply for benefits at age 62. Your benefit will be 25% less than it would be at age 66. As this chart shows, an $1,800 monthly benefit taken at age 66 will be reduced by 25% — to $1,350 — if taken at age 62 instead.

<CLICK>However, you'll receive benefits for a longer period of time — 48 to 60 months longer — than if you began receiving benefits at your full retirement age, and this is certainly a big factor. This will be discussed later, but first, let's look at how your benefit will be affected if you decide to delay retirement instead.



If you delay receiving Social Security benefits, you'll receive delayed retirement credits that will permanently increase your benefit.

<CLICK>Your benefit will increase for each month you delay receiving benefits — or 8% per year — past your full retirement age, up until age 70. Note that we're only talking about benefits based on your own earnings record. You won't receive delayed retirement credits for survivor benefits or spousal benefits.

To continue with the example from the previous slide, if your full retirement age is 66 and you decide to delay receiving benefits until age 70, your benefit at age 70 will be 32% more than at age 66. As this chart shows, for each year you delay, an $1,800 monthly benefit taken at age 66 will increase by $144 per month, and will be worth $2,376 if taken at age 70 instead of at age 66.