

The Basics of Social Security Retirement Benefits - Video Transcript

Social Security makes up a large portion of retirement income for many retirees. How much *you* receive from Social Security will depend on several factors, including how long you work, how much you earn, and your age when you begin claiming benefits.

Over your working life, you pay Social Security taxes, sometimes referred to as FICA on your paycheck. By doing so, you can earn up to four Social Security credits each year. Generally, you need 40 credits to be eligible for retirement benefits, which means you must work for at least 10 years.

Social Security calculates your basic retirement benefit based on your highest 35 years of earnings. This is the amount you would receive at your full retirement age.

Your full retirement age is based on your year of birth. If you were born from 1943 to 1954, your full retirement age is 66. If you were born from 1955 to 1959, your full retirement age varies by a few months depending on the year of birth. And if you were born in 1960 or later, your full retirement age is 67.

You are eligible to receive reduced Social Security benefits as early as age 62. However, tapping benefits early will result in a permanently reduced benefit throughout your retirement.

On the other hand, you can delay receiving Social Security until as late as age 70, which will permanently increase the amount you receive.

This example shows how a Social Security benefit amount could change from age 62 to age 70, based on a monthly basic benefit of \$1,800 taken at the full retirement age of 66. At age 62, the benefit would be reduced by 25% to \$1,350 per month. At age 70, the benefit would increase by 32% to \$2,376 per month. Keep in mind these are hypothetical examples meant for illustrative purposes only.

How much can you expect from Social Security? To get an idea, go to Social Security's website, ssa.gov, and create a *my* Social Security account. With this account, you can view your online Social Security Statement, which details your earnings record and benefit estimates. You can also use the *Retirement Estimator* tool available on the website. If you are age 60 or older and don't have an online account, you should receive a Social Security Statement in the mail every year until you begin receiving benefits.