

## **Ea\$y Money – Retirement: Social Security**

**What it is:** According to, *Retirement Transitions: Social Security- Retirement: Secure Your Future*, Social Security is a core component of most Americans' retirement plans. Often seen as a simple, straightforward component of retirement income, Social Security actually has numerous options regarding when to file for retirement benefits. These options have very different consequences for a lifelong retirement income.

**How it works:** Social Security is designed to provide a very modest level of retirement income; it is not designed to fully support you in retirement. Also, social security is not available to everyone. To be eligible for Social Security retirement income, a worker's record must show at least 40 quarters of work credits (equivalent of 10 years).

**Why it matters:** Drawing from savings and investments during early years of retirement may go against your instincts. Traditionally, retirees have been advised to delay drawing money from their tax-advantaged accounts (IRA, 401k, etc.) until age 70½, when they are required to do so. However, unless you can realistically expect those investment accounts to earn a return greater than 8 percent, the delay in Social Security claim will provide greater lifelong security.

**Who should care?** Since the purpose of Social Security retirement benefits is to provide for the needs of those who are retired, the program has rules for people below their full retirement age who receive Social Security, but are still employed. Your benefits will not be affected if your employment earnings are up to \$15,480 (annual limit is adjusted each year). But if you are younger than full retirement age and earning more than the annual limit, your Social Security benefits will be reduced by \$1 for every \$2 you earn above the limit. Example: a person earning \$1,000 above the limit would have their Social Security benefit reduced by \$500. After you reach your full retirement age, your benefits are not affected by what you earn on the job. Note: there is an adjusted rule for employment earnings in the year in which you retire; consult SSA staff for specifics.

If you claim Social Security prior to your full retirement age, your decision impacts your own income for life, but it also affects the survivor benefit available to your spouse and to any minor or disabled children after you die. In making your decision, consider the income needs of your survivors.

**NOTE:** This information is provided as an educational service and is not intended as, nor should it be considered legal advice but provides general information.

**For more information:**

- Iowa State University Extension and Outreach Money Blogs tips, <http://blogs.extension.iastate.edu/moneytips/>
- Iowa State University Extension and Outreach publication PM1825B, *Retirement Transitions: Social Security- Retirement: Secure Your Future*
- Iowa State University Extension and Outreach Human Sciences website at [www.extension.iastate.edu/humansciences/](http://www.extension.iastate.edu/humansciences/)
- Social Security, <https://www.socialsecurity.gov/pubs/EN-05-10043.pdf>
- Social Security Claiming Guide “The Social Security Claiming Guide,” 2009. Center for Retirement Research at Boston College. Available free in pdf format at <http://crr.bc.edu/booklets-brochures>