

Understanding Social Security

Although I worked for Social Security for more than 26 years I spend a lot of time talking about it and it's important. Some of the things I heard:

- Don't count on it, because it won't be there
- Retirement and old people
- It's going broke
- Social Security takes a lot of money out of my paycheck

What I know for sure is that Social Security is the backbone of our country. I'm sure it will never disappear, but it will look different than it does today. The program and benefits have changed a lot over the years. There has been a variety of changes: elimination of student benefits; the \$255 Lump Sum Death Payment is only paid to widows or children; Social Security benefits are taxed, and the full retirement age has been raised to age sixty-seven. And those are just the things I can remember—I'm sure there are more. Social Security will survive—but don't think for one minute that your monthly Social Security benefit will sustain your current lifestyle. No way! Nor was it ever meant to. One frightening statistic – 80% of widows living in poverty were not poor before their husbands died.

Social Security isn't just a retirement benefit -- it's a package of protection for you and your family. Benefits include survivor and disability benefits.

Most people know that if you were born in 1960 or later, your full retirement age is 67. But, did you know you can still receive reduced benefits at age 62 or that to qualify for Medicare benefit remains age 65?

Social Security uses your highest 35 years of earnings to determine your retirement benefit. Not the highest three years or five years like many pensions, but the highest 35 years. Think about that and let it sink in; that's a long time! Remember that women are often out of the workplace for an average of fifteen years taking care of their families. This means the years with low earnings or no earnings are counted as zero earning years to bring the total years of earnings to 35 years, which is why a woman's average monthly Social Security benefit is often \$200 less a month than a man's benefit.

What about spousal benefits? There are lots of different types of spousal benefits.

- If your husband dies, you can receive widow's benefits if you are age 60 or older; if you are age 50 or older and disabled; or if you're caring for a child who is under age 16 or disabled and entitled to benefits.
- You may be eligible for divorced spouse benefits if your marriage lasted 10 years or longer, you're presently unmarried, you're age 62 or older and your Social Security benefit is not higher than one-half of your ex-husband's unreduced benefits. So if you're about ready to file your final divorce papers and you've only

been married 9-1/2 years, STOP and wait for six more months. I'm not telling you to live with your soon-to-be ex-husband, just don't finalize your divorce.

- If your ex-husband has not applied for benefits, but can qualify for them and is age 62 or older, you may receive benefits on his record if you have been divorced from him for at least two years and meet the above requirements. I've talked to attorneys who didn't know about this benefit. It's the only Social Security benefit I'm aware of where the wage earner is still alive and not receiving benefits, yet a divorced spouse can receive a monthly benefit. I believe this benefit was established to protect the women who were married for 20 to 30 years, didn't work outside the household and found themselves unable to find jobs with good salaries because they didn't have work experience.

If you're divorced, be sure to keep you ex-husband's Social Security number, your original or certified copy of your marriage certificate and divorce decree. And for those of you who burned any or all of those documents, it's time to get a certified copy for your records. You'll need those documents when you apply for Social Security.

With a few exceptions every worker 25 or older automatically receives a personalized Social Security Statement annually three months before their birth month. If you've received your Social Security Statement, but tucked it away in a safe place and never looked at it, go pull it out to review it for accuracy. Begin by checking to ensure your name and birth date are correct. Next, review your annual earnings to ensure they are accurate. If you find errors, you'll want to correct them right away. It's much easier to get your earnings corrected now while you still have the documentation. The Social Security Statement provides an estimate of your retirement benefits at age 62 and full retirement age, along with survivor and disability benefits.

Social Security makes assumptions based on your continuing to work at your current wage level. This means they look at the last two years on your record. If you want a more accurate estimate, Social Security has a calculator on its Web site that allows you to enter your own earnings. The Social Security Statement is one of the best things Social Security has ever done for the public. It's a valuable financial planning tool. I recommend you use it in conjunction with the Ballpark Estimate, an easy-to-use, two-page worksheet that helps you quickly identify approximately how much you need to save for your financial independence. Find it online at www.choosetosave.org.

I know Social Security isn't the most exciting topic, but it's important to understand the basics. Visit the Social Security website to learn more – www.socialsecurity.gov.