

Social Security and Retirement

Social Security is an important source of income for retirees. Unfortunately, there seem to be some misconceptions about the program. Here are some things you should know to help you in planning for your retirement years.

If I retire at age 65, can I be assured that my Social Security benefits will not be reduced due to early retirement?

No. In fact if you retire at age 65 and start receiving Social Security, you will be guaranteed to receive a reduction in benefits. In the past age 65 was the “magic” age (Full Retirement Age) for full benefits. It no longer is. For example, someone born in 1942 (who would turn age 65 in 2007) must be 65 years and 10 months old in order to attain full retirement age. Those individuals born in 1943 through 1954 must attain age 66 with those even younger ultimately needing to reach age 67.

Year of Birth	Full Retirement Age	% of Full Benefit @ Age 62
1942	65 yrs 10 months	75.8%
1943 thru 1954	66 yrs 0 months	75.0%
1955	66 yrs 2 months	74.1%
1956	66 yrs 4 months	73.3%
1957	66 yrs 6 months	72.5%
1958	66 yrs 8 months	71.6%
1959	66 yrs 10 months	70.8%
1960 and later	67 yrs 0 months	70.0%

What is the earliest age I can retire and receive benefits?

Anyone can retire at age 62. Doing so means a permanent reduction in benefits. How much of a reduction depends on your year of birth. The reduction generally will be between 25 and 30 percent, meaning a benefit of 70 to 75 percent of what an individual would have received at Full Retirement Age.

What if I delay the start of benefits beyond my Full Retirement Age?

Good news! You will earn delayed retirement credits each month until your age 70. For individuals born in 1943 and later, benefits will increase 8% per year (prorated for months).

What if I continue to work and elect to receive Social Security retirement benefits?

Depending on your age and income, you may lose some or all of your Social Security for a period of time. For 2007 a person who has not reached Full Retirement Age could earn \$12,960 before any reduction of benefits. Thereafter, \$1.00 in benefits will be lost for every \$2.00 of earned income over that threshold amount. For the year in which you reach your full retirement age, \$1.00 in benefits will be lost for every \$3.00 of earned income in excess of the threshold. Finally, starting with the month you attain Full Retirement Age and thereafter, benefits will not be reduced, regardless of the amount of earned income.



Are Social Security benefits subject to income taxation?

Yes, Social Security is subject to income tax, just like earned and unearned income. However, being subject to tax does not necessarily mean that income taxes will be due. Depending on income and filing status, up to 50% or even 85% of Social Security may be includible for income tax purposes.

Unlike loss of Social Security retirement benefits due strictly to earned income, both earned and unearned income is taken into account for calculating income tax. Also, one-half of a taxpayer's Social Security benefit is factored into the calculation. The IRS provides a worksheet in the instructions for Form 1040 to see how much, if any, is includible.

Is there a best time to start taking Social Security retirement benefits?

There is no right or wrong time. The decision should be based on your situation and needs. For instance, if you are healthy and have other means of income, delaying the start of benefits could mean a greater monthly income and greater total income over your retirement years. If on the other hand, you have few other sources of income and/or have health issues, starting earlier may be to your advantage. Discussing your situation with a financial professional could be a wise decision.

What if I don't continue to work but I have substantial other income?

Social Security benefits are reduced because of earned income. Unearned income, such as dividends and interest will not trigger a loss of benefits.

Can my spouse receive Social Security retirement benefits?

Yes, your spouse can receive one-half of your benefit or his/her own benefits, if greater, but not both. Keep in mind that benefits for your spouse will be reduced prior to his/her Full Retirement Age.

Where can I learn more about my Social Security retirement benefits?

Visit the Social Security website at www.ssa.gov.

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