

Top Social Security Questions for 2011...AARP Has the Answers!

The following questions came to AARP directly from participants in this webinar and have been organized into four categories, including:

- Claiming Social Security benefits, including general questions related to claiming your benefits,
- Social Security and Other Income, whether from work or other retirement savings,
- Divorce, Marriage, and Spousal Benefits and how they impact claiming, and,
- Survivor and Dependent Benefits

You can find a variety of information about Social Security and other financial security issues on AARP's website, www.aarp.org/money. You may also contact the Social Security Administration directly at www.ssa.gov or by calling 1-800-772-1213.

Claiming Social Security Benefits

Question: I retired at age 58. If I delay taking benefits until full retirement age will my benefits continue to increase even though I'm not paying into Social Security anymore?

Answer: Yes. While you may initially claim benefits at age 62, as long as you make no claim, they will increase up to age 70 no matter when you actually stop working.

Question: I'm considering retiring between 64 and 65. Will my benefits be affected by which month I take them?

Answer: Yes, if you retire at any time between age 62 and full retirement age, your **benefits** are reduced a fraction of a percent for each month before your full retirement age. If your full retirement age is 66, **the reduction** for starting your retirement **benefits** at 62 is about 25 percent. The reduction for starting **benefits** at age: 63 is about 20 percent; 64 is about 13.3 percent; and 65 is about 6.7 percent.

Question: Assuming I begin taking my retirement benefit at age 62 instead of age 66, at what point is the breakeven year or age? I've been told it's approximately 13 years. Is that true?

Answer: For most people the choice about when to take benefits involves much more than trying to figure out the age or year when the value of delaying the benefit is precisely equal to the value of taking the benefit early. The break even strategy is based on your estimated benefit at early and normal retirement age and your estimate of how long you plan to live. Determining when to claim Social Security based on this strategy alone is not recommended unless you have substantial assets.

If you claim benefits early and live past your estimated break even age, then you have forfeited additional benefits that could have been paid to you had you waited. A better strategy is to look at all your sources of retirement income and group them by guaranteed versus uncertain and determine how to secure as much of your financial needs using your guaranteed resources. In the case of Social Security, delaying claiming the inflation-protected benefit means that you will be receiving a guaranteed higher benefit than when claiming early.

Question: If one earns more than the \$1,180 in a particular month, but not more than the annual \$14,160, is the monthly Social Security payment forfeited?

Answer: No. You will receive your social security benefits if you're below the annual earnings limit of \$14,160.

Question: If I take benefits early, when I reach full retirement age, can I pay back what I have received and then apply for and receive full benefits?

Answer: The Social Security Administration just published new regulations that curtail this option. Now, if you want to suspend your benefits to repay into the program, you must do so within 12 months after first receiving them. The new rules, which became effective December 8, 2010, also specify that beneficiaries are limited to one re-filing in a lifetime. You can learn more about this option by visiting www.ssa.gov and searching for the "Request for Withdrawal Application", which is Form SSA-521.

Social Security and Other Income

Question: If I claim benefits at normal retirement age, but continue working, is my income still subject to FICA tax (or SECA in my case)?

Answer: Yes, your wages are still subject to FICA tax (Social Security taxes taken out of your paycheck). Note that you are still earning work credits for this current work which can potentially increase your benefit amount if it is included in your 35 highest years of income.

Question: Does the annual earnings limit include company pensions?

Answer: It depends. If you get a pension from work at a company where you paid Social Security taxes, that pension will **not** affect your earnings limit or your Social Security benefits. However, if you get a pension from work that was not covered by Social Security—for example, the federal civil service, some state or local government employment or work in a foreign country—your Social Security benefit may be reduced.

Question: Are 401(k) distributions considered income for the Earnings Test?

Answer: No. Withdrawals from 401(k) plans are not considered earned income and do not impact the level of Social Security payments that you receive. Income from 401(k) distributions may, however, impact your taxes depending on the total income from the 401(k) and any other income you may be collecting. For more information on how retirement savings may impact your taxes you can call the Internal Revenue Service's toll-free number, 1-800-829-3676.

Question: I am 64 years old collecting Social Security for two. My wife and I are working part-time and our combined income is \$15,000. Do we pay taxes on our Social Security?

Answer: No, you and your wife will not have to pay taxes on your benefits. The rule is you will have to pay federal taxes on your benefits if you file a federal tax return as an individual and your total income is more than \$25,000. If you file a joint return, you will have to pay taxes if you and your spouse have a total income of more than \$32,000. You fall below both so either way you and your wife will not have to pay.

Question: I just started collecting Social Security. I do not have a pension. I am collecting unemployment now. Do I still pay taxes on my monthly Social Security check?

Answer: It depends on your annual gross income. Some people who get Social Security will have to pay taxes on their benefits. You will have to pay taxes on your benefits if you file a federal tax return as an "individual" and your gross income is more than \$25,000. If you file a joint return, you will have to pay taxes if you and your spouse have a total income that is more than \$32,000.

Unemployment insurance benefits are not counted under the Social Security annual earnings test and therefore do not affect your receipt of Social Security benefits. However, the unemployment benefit amount of an individual may be reduced by the receipt of a pension or other retirement income, including Social Security and Railroad Retirement benefits.

Divorce, Marriage, and Spousal Benefits

Question: I was married to my first husband for 16 years, divorcing in 1979. Can I still collect benefits from that marriage or has too much time elapsed?

Answer: Yes, you can still collect Social Security benefits from that marriage. There is no time limit from the date of your divorce to the date you file for benefits, as long as you were married for at least 10 years and are not currently married.

Question: If I get married at age 62, am I eligible for spousal benefits from my new husband? Does it matter if he has started to collect his benefits? He is 64.

Answer: Yes, you are eligible for spousal benefits if you get married at age 62. If you claim at age 62, you will receive a reduced spousal benefit, since you are claiming before your full retirement age. Your new husband must have already filed for benefits in order for you to claim spousal benefits.

Question: Can my wife collect spousal benefits before I apply?

Answer: No, your wife will not qualify for spousal benefits until you have filed for Social Security benefits yourself. Once you have filed, and once your wife turns 62, she will qualify for the benefit. If your wife waits until full retirement age, she can collect a spousal benefit that will provide her with 50% of the amount of your Social Security benefit.

Question: I am going to be 62 next July. My wife is 57. Will she also get benefits next year if I elect to apply for Social Security?

Answer: No, your wife must be 62 to qualify for the spousal benefit. Keep in mind that if your wife claims before **her** full retirement age, the spousal benefits she'll receive will be permanently reduced. So for example, if you receive \$1,000 per month in benefits, and your wife claims a spousal benefit early, at age 62, she will only receive 35% of your benefit, or \$350 per month. However, if she can wait until full retirement age she will receive 50% of your benefit, or \$500 per month. So while circumstances may force you to collect spousal benefits early, think hard about the implications of permanently reducing your monthly benefit.

Survivor and Dependent Benefits

Question: If I apply for survivor benefits, can I continue to work and how much can I make?

Answer: Yes, you may receive survivor benefits and continue to work. If you work but start receiving benefits before full retirement age, \$1 in benefits will be deducted for each \$2 in earnings you have above the annual limit. In 2011, the limit is \$14,160.

In the year you reach your full retirement age, your benefits will be reduced \$1 for every \$3 you earn over a different annual limit (\$37,680 in 2011) until the month you reach full retirement age. Once you reach full retirement age, you can keep working, and your Social Security benefit will not be reduced no matter how much you earn.

Question: My wife died at 55 years old and I'm 59 now. Can I collect benefits when I'm 60? Can I collect my own benefit when I reach full retirement age at 66?

Answer: As a widower you can receive survivor benefits after you reach age 60. However, your survivor's benefits are reduced a fraction of a percent for each month before your full retirement age. Therefore, consider waiting until full retirement age to claim your survivor benefits.

If you receive survivor benefits, **and** your benefits based on your own work record is more than your survivor's benefit, you can switch to your own retirement benefit as early as age 62.

Question: How long do survivor's children continue to receive benefits?

Answer: Children can receive survivor benefits, too, if they are unmarried and:

- Younger than 18 years old; or
- Between 18 and 19 years old, but in an elementary or secondary school as full-time students; or
- Age 18 or older and severely disabled (the disability must have started before age 22).

Additionally, your parents can receive benefits on your earnings if they were dependent on you for at least half of their support. There are explanations for disability qualifications in the Survivor's Planner at www.ssa.gov.

Question: If I should pass away, leaving a domestic partner and brothers and sisters behind, who can collect all the money that I have put into Social Security?

Answer: Domestic partnerships can be complicated when it comes to Social Security benefits. We're going to assume you are referring to a common-law marriage. For Social Security purposes, they will follow the laws of the state regarding the survivor benefits. If your state recognizes your common-law marriage, then your partner will likely be eligible for survivor benefits. But you'll have to provide evidence that includes sworn statements, mortgage or rent receipts, or insurance policies. Regardless, your brothers and sisters are not entitled to receive your benefits.

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