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When Should You Take Social Security?

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It's an important, irreversible decision. The age when you start receiving Social Security benefits will affect your level of retirement income for the rest of your life.

For many people, Social Security is retirement income ballast: You can't outlive it, and it rises with the cost of living. How will you use these benefits in your retirement income plan? Consider: If you start receiving Social Security at age 62, your payments will be reduced. If you earn more than a set level of income between 62 and your full retirement age, you will be penalized. You're entitled to the maximum benefit if you wait until age 70.

If this seems confusing, the answers to the following eight common questions will help you examine the major factors to weigh as you decide the best age to start taking Social Security.

1. What Determines Your Social Security Income Amount?

Your age when you start to receive Social Security affects the benefit amount you'll receive each month, and over your lifetime. You could start benefits as early as 62 or at your full retirement age, or you could delay payment until age 70, when you would qualify for the maximum benefit. (To find your full retirement age, see the chart on page 4.)

If you start benefits early, your monthly payments will be smaller, but you'll get more of them during your lifetime. If you delay benefits until your full retirement age, you'll receive 100% of your calculated retirement benefit, but you'll get fewer payments. And if you delay your benefits to age 70, you'll receive the largest possible payments, but even fewer of them overall.

Financial need can affect the size of your income payment by dictating how soon you may have to start benefits. If your other retirement savings are relatively small, you might need to begin receiving income as soon as possible to maintain your lifestyle. Conversely, if you don't have pressing financial needs, you might be able to delay benefits until your full retirement age, or perhaps even until age 70.

Your health, or life expectancy, can also influence your decision. If you are healthy and expect to live long, delaying the start of benefits to get the larger payments may make sense. But if your health is questionable, it might be better to start income early so you can receive as many payments as possible.

2. How Are Your Benefits Calculated?

The government begins calculating your monthly Social Security income — called the primary insurance amount — at age 62. After age 62, your earnings history and selected income starting date are used to estimate your monthly payment, which is adjusted for inflation based on changes in the Consumer Price Index.

If you start benefits before your full retirement age, your monthly payment will be permanently reduced by 0.555% per month for the first three years of early retirement and by 0.416% for each month beyond the first three years.

For example, let's say you were born in 1956 and that you would receive \$1,000 per month at your full retirement age (age 66 and 4 months).

In this scenario, if you begin benefits at 62, your \$1,000 monthly benefit would be reduced by a total of \$266.66, reflecting a reduction of \$200.00 for the first 36 months ($\$1,000 \times 0.555\% \times 36$ months) and an additional \$66.66 for the remaining 16 months of early retirement ($\$1,000 \times 0.416\% \times 16$ months).

3. Will You Owe Taxes on Social Security Benefits?

It depends. For 2007, if you file a federal tax return as an individual, and your total income (all taxable income plus one-half of your Social Security benefits) exceeds \$25,000 for the year, you will have to pay taxes. If you file a joint return, you will pay taxes if you and your spouse's total income exceeds \$32,000 in 2007.

For more information, call the IRS directly at **800 829-3676**. If you're hearing impaired, call the IRS's TTY number, **800 829-4059**, or go to **www.irs.gov**.

4. Can You Keep Working While Receiving Benefits?

You can work while receiving your own (or survivor) Social Security benefits. But until you reach your full retirement age, your salary will cause your payments to be reduced as follows:

- The government will deduct \$1 from your benefit for every \$2 you earn above the annual limit (\$12,960 in 2007).
- In the year you reach your full retirement age, the government will reduce your benefit by \$1 for every \$3 you earn above a different limit (\$34,440 in 2007). However, this second limit applies only in the weeks or months just before your full retirement age birthday. After that birthday, your work earnings will not reduce your benefits.

5. If You Take Benefits Early, and Your Spouse Waits Until the Full Retirement Age, What Will Your Spouse Get?

Benefit payments to your spouse will be reduced if your spouse begins income before reaching her/his full retirement age (age 66, let's say), but your spouse's payments won't be affected if you decide to begin your own income benefit early.

For example, if you begin income at age 62, and your full retirement age is also age 66, you will receive a benefit equal to 75% of your primary insurance amount. If your spouse begins benefits (based on your wage history) at her/his own full retirement age, your spouse will receive 50% of your primary insurance amount.

6. If Your Spouse's Benefit Is Larger Than Yours, Would You Be Eligible for It If You Survive Your Spouse?

Yes. Generally, as the surviving spouse you'd be entitled to receive either the monthly retirement benefit based on your own work record or your survivor spouse benefit based on your deceased spouse's work record, whichever is greater. The latter benefit is equal to 100% of the primary insurance amount, unless you (as surviving spouse) had not yet reached the full retirement age. In that case, the benefit is reduced, with the extent of the reduction depending on your age when you start benefits.

7. How Does Divorce Affect Your Benefits?

If you divorce after 10 years of marriage, you can collect benefits on your former spouse's Social Security record, if you are at least age 62 and your former spouse qualified for benefits. (Your former spouse can similarly collect Social Security benefits based on your record, if you're also entitled to benefits.) However, if you remarry, you generally cannot collect benefits on your former spouse's record unless your new marriage ends by death, divorce or annulment.

Also, if you receive benefits as an adult who's been disabled since childhood, your benefits generally end if you marry, but not always. Under some marriages — as to another adult who's also been disabled since childhood — benefit payments will continue.

8. What Are the Requirements for Survivor Benefits?

When a person dies, certain family members may be eligible for survivor benefits based on the deceased's record, if he/she had enough Social Security earnings credits. In general, younger people need fewer earnings credits than older people. However, no one needs more than 40 earnings credits (10 years of work) to be fully eligible for any benefits.

<i>What's Your Full Retirement Age?</i>		
Year of Birth	Age to Receive Full Benefits	Age 62 Benefits As % of Full Retirement Benefits
1937 or earlier	65	80.0
1938	65 and 2 months	79.17
1939	65 and 4 months	78.33
1940	65 and 6 months	77.50
1941	65 and 8 months	76.67
1942	65 and 10 months	75.83
1943-1954	66	75
1955	66 and 2 months	74.17
1956	66 and 4 months	73.33
1957	66 and 6 months	72.50
1958	66 and 8 months	71.67
1959	66 and 10 months	70.83
1960 and later	67	70

Note that your full retirement age depends on when you were born.

Source: The Social Security Administration's table at:
www.socialsecurity.gov/retirechartred.htm

For more detailed information, go to **www.socialsecurity.gov**. For answers to questions about your own circumstances, talk to a Social Security representative at 800 772-1213. If you're hearing impaired, call the TTY line, 800 325-0778, Monday through Friday, 7 a.m. to 7 p.m. (ET).

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