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10 KEY FACTS ABOUT SOCIAL SECURITY BENEFITS

Things to keep in mind when planning for retirement

1 Eligibility for Social Security benefits is determined by your work history.

To qualify for benefits, you must have earned a minimum number of "credits" over the course of your working life.

2 Changes to your status in any of these areas can have a positive or negative effect on your benefit amount.

Your benefit amount will be determined on the basis of your work experience, your average earnings, the age at which you begin taking benefits and any additional earned income you receive from working after you begin receiving benefits.

3 The year of your birth and the age at which you start taking Social Security benefits directly affect the amount you receive.

If you choose to receive benefits before your full retirement age, your benefits will be reduced permanently. For example, if you were born between 1943 and 1954, your full retirement age is 66. If you were to start receiving benefits at age*

- 62, you would receive 75% of your benefit
- 66, you would receive 100% of your benefit
- 70, you would receive 132% of your benefit

4 Working while you take Social Security may reduce your benefits.

If you are younger than your full retirement age when you begin receiving benefits, there are limits on how much you can earn without affecting your benefit amount. When you reach full retirement age, the earnings limits no longer apply.

5 Your Social Security benefits are taxable in most circumstances.

Up to 85% of your Social Security benefits may be taxable on the basis of your "modified adjusted gross income" (MAGI). With careful planning, however, you can reduce the taxability of your Social Security benefits. For example, there are some "preferred asset classes" that are exempt from the MAGI calculation.

6 Certain kinds of income will not increase the taxability of your Social Security benefits.

Preferred asset classes such as qualified Roth IRAs or Roth 401(k) distributions are exempt from the MAGI calculation. Also, for assets that have a cost basis, the cost basis is exempt from the calculation. These assets include the security purchase price (in the case of a taxable investment account), nondeductible IRA contributions and the principal investment portion of an annuity distribution.

* Source: www.ssa.gov

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7 Once you start taking Social Security, it is very difficult to "turn off" — the program is not built for flexibility.

Deciding when to start receiving your Social Security benefits is a key retirement decision. While it is possible to withdraw a claim and then return paid benefits, it is best to have a plan in place so that you start receiving and keep receiving benefits as a part of your overall retirement strategy.

8 Your Social Security statement is not a direct representation of what you will receive.

The annual statement you receive in the mail is an estimate made on the basis of your most recent earnings and the assumption that you will continue to work and earn about the same amount as you currently earn. The statement does not account for uncertainties such as changes in your earnings or work status, future law changes and when you start receiving benefits.

9 If something happens to you, your spouse and children may be eligible for benefits.

When you die, your spouse (if he or she is age 60 or older, or any age if he or she is caring for your children younger than age 16) may be eligible for survivor benefits. This is an important consideration when preparing a retirement plan for you and your spouse.

10 The Social Security Web site is a great resource for information about the Social Security program.

You can find more information and answers to many questions about Social Security benefits online. Just go to www.ssa.gov.

This material should be used as helpful hints only. For help determining what role Social Security benefits will play in your financial future, work closely with your investment or other relevant professional. He or she will provide the perspective to help you build and maintain a retirement strategy that works best for you.

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