

How Your Retirement Benefit Is Figured

As you make plans for your future, one of the questions you'll probably ask is, "How much will I get from Social Security?" There are several ways you can find out. Social Security can give you a free estimate of what your retirement benefit will be. You can obtain the request form by calling Social Security and asking for a form SSA-7004, *Request for Earnings and Benefit Estimate Statement*.

If you have access to the Internet, you can obtain the request form, an estimate or calculate your own retirement benefit using the Internet program, ANYPIA. These services are available at <http://www.ssa.gov>.

Even with an estimate, many people still wonder exactly how their benefit is figured. Social Security benefits are based on earnings averaged over most of a worker's lifetime. Your actual earnings are first adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then we calculate your average monthly indexed earnings during the 35 years in which you earned the most. We apply a formula to these earnings and arrive at your basic benefit, or "primary insurance amount" (PIA). This is the amount you would receive at age 65.

Factors That Can Raise Or Lower Your Retirement Benefit

The monthly benefit you receive from Social Security may not be the basic benefit. Your actual benefit may be higher or lower than that amount if any of the following is true.

You receive benefits before age 65.

You can begin to receive Social Security benefits at age 62, but at a reduced rate. Your benefit is reduced by 5/9 of 1 percent for each month you get benefits before age 65. This amounts to approximately a 20 percent reduction at age 62.

The closer you are to age 65 when benefits start, the smaller the reduction. For example, the reduction is 13 and 1/3 percent at age 63 and 6 and 2/3 percent at age 64.

You receive cost-of-living increases.

You are eligible for cost-of-living benefit increases starting with the year you become 62. This is true even if you don't get benefits until 65 or even 70. Cost-of-living increases are added to your benefit beginning with the year you reach 62 up to the year you start getting benefits.

You delay your retirement past age 65.

A person may continue working past age 65 and not begin to receive Social Security benefits. If you choose to do this, your benefit amount will be increased by a certain percent for every month that you are past age 65 but not receiving benefits. These increases are automatically added to your benefit until you reach age 70.

You are a government worker with a pension.

If you also get or are eligible for a pension from work where you didn't pay Social Security taxes, usually a government job, a different formula is applied to your average monthly earnings. To find out how your benefit is figured, contact Social Security and ask for a copy of *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

Any Questions?

You can get recorded information or a benefit estimate request form 24 hours a day, including weekends and holidays, by calling Social Security's toll-free number, **1-800-772-1213**. You can speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Whenever you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free "TTY" number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

You can also reach us on the Internet. Type <http://www.ssa.gov> to access Social Security information.

Estimating Your Social Security Retirement Benefit

For Workers Born In 1936

This worksheet shows how to estimate the Social Security monthly retirement benefit you would be eligible for at age 62 if you were born in 1936. It also allows you to estimate what you would receive at age 65, excluding any cost-of-living adjustments for which you may be eligible. If you continue working until age 65, your additional earnings could increase your benefit amount.

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| <p>Step 1: Enter your actual earnings in Column B, but not more than the amount shown in Column A.</p> <p>Step 2: Multiply the amounts in Column B by the "index factors" in Column C, and enter the results in Column D. This gives you your "indexed earnings," or the approximate value of your earnings in current dollars.</p> <p style="text-align: right;">\$ _____</p> <p>Step 3: Choose from Column D the 35 years with the highest amounts. Add these amounts.</p> <p style="text-align: right;">\$ _____</p> <p>Step 4: Divide the result from Step 3 by 420 (the number of months in 35 years). This will give you your average indexed monthly earnings.</p> <p style="text-align: right;">\$ _____</p> | <p>Step 5:</p> <p>a. Multiply the first \$477 in Step 4 by 90%. \$ _____</p> <p>b. Multiply any amount over \$477 and less than \$2,875 by 32%. \$ _____</p> <p>c. Multiply any amount over \$2,875 by 15%. \$ _____</p> <p>Step 6: Add a, b and c from Step 5. Round down to the whole dollar. This is your estimated monthly retirement benefit at age 65. \$ _____</p> <p>Step 7: Multiply the amount in Step 6 by 80%. This is your estimated monthly retirement benefit at age 62. \$ _____</p> |
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| Year | A. Maximum Earnings | B. Actual Earnings | C. Index Factor | D. Indexed Earnings |
|------|---------------------------|--------------------------|-----------------------|---------------------------|
| 1951 | 3,600 | | 9.26 | |
| 1952 | 3,600 | | 8.72 | |
| 1953 | 3,600 | | 8.25 | |
| 1954 | 3,600 | | 8.21 | |
| 1955 | 4,200 | | 7.85 | |
| 1956 | 4,200 | | 7.34 | |
| 1957 | 4,200 | | 7.12 | |
| 1958 | 4,200 | | 7.05 | |
| 1959 | 4,800 | | 6.72 | |
| 1960 | 4,800 | | 6.47 | |
| 1961 | 4,800 | | 6.34 | |
| 1962 | 4,800 | | 6.04 | |
| 1963 | 4,800 | | 5.89 | |
| 1964 | 4,800 | | 5.66 | |
| 1965 | 4,800 | | 5.56 | |
| 1966 | 6,600 | | 5.25 | |
| 1967 | 6,600 | | 4.97 | |
| 1968 | 7,800 | | 4.65 | |
| 1969 | 7,800 | | 4.40 | |
| 1970 | 7,800 | | 4.19 | |
| 1971 | 7,800 | | 3.99 | |
| 1972 | 9,000 | | 3.63 | |
| 1973 | 10,800 | | 3.42 | |
| 1974 | 13,200 | | 3.23 | |

| Year | A. Maximum Earnings | B. Actual Earnings | C. Index Factor | D. Indexed Earnings |
|------|---------------------------|--------------------------|-----------------------|---------------------------|
| 1975 | 14,100 | | 3.00 | |
| 1976 | 15,300 | | 2.81 | |
| 1977 | 16,500 | | 2.65 | |
| 1978 | 17,700 | | 2.45 | |
| 1979 | 22,900 | | 2.26 | |
| 1980 | 25,900 | | 2.07 | |
| 1981 | 29,700 | | 1.88 | |
| 1982 | 32,400 | | 1.78 | |
| 1983 | 35,700 | | 1.70 | |
| 1984 | 37,800 | | 1.61 | |
| 1985 | 39,600 | | 1.54 | |
| 1986 | 42,000 | | 1.50 | |
| 1987 | 43,800 | | 1.41 | |
| 1988 | 45,000 | | 1.34 | |
| 1989 | 48,000 | | 1.29 | |
| 1990 | 51,300 | | 1.23 | |
| 1991 | 53,400 | | 1.19 | |
| 1992 | 55,500 | | 1.13 | |
| 1993 | 57,600 | | 1.12 | |
| 1994 | 60,600 | | 1.09 | |
| 1995 | 61,200 | | 1.05 | |
| 1996 | 62,700 | | 1.00 | |
| 1997 | 65,400 | | 1.00 | |