

How Your Retirement Benefit Is Figured

As you make plans for your future, one of the questions you should ask is, “How much will I get from Social Security?” There are several ways you can find out. Social Security sends a yearly statement to everyone age 25 or older who has worked under Social Security and does not yet receive benefits. You should receive a *Social Security Statement* every year about three months before your birthday.

You also can request a statement by calling Social Security and asking for a form SSA-7004, *Request for Earnings and Benefit Estimate Statement*, or by downloading the form from the Internet at www.ssa.gov/online/ssa-7004.html. Or, you can calculate your benefit yourself using the programs available on the Internet at www.ssa.gov/retire.

Even with an estimate, however, 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 your full retirement age, 65 or older, depending on your date of birth. The full retirement age for people born in 1939 is 65 and 4 months. This age will increase gradually each year until it reaches 67 for people born in 1960 or later.

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 your full retirement age.*

You can begin to receive Social Security benefits as early as age 62, but at a reduced rate. Your basic benefit will be reduced by a certain percent for each month that you receive benefits before your full retirement age. The closer you are to your full retirement age when you

begin receiving benefits, the greater your benefit amount.

- *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 your full retirement age.*

You may continue working past the full retirement age 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 your full retirement age but do not receive 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 us and ask for a copy of *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

For More Information

On the back of this page is a worksheet you can use to estimate your retirement benefit if you were born in 1939. Or visit us at www.ssa.gov on the Internet. You also can get information 24 hours a day by calling Social Security’s toll-free number, **1-800-772-1213**. 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.

Estimating Your Social Security Retirement Benefit

For Workers Born In 1939

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 1939. It also allows you to estimate what you would receive at age 65 and 4 months, your full retirement age, excluding any cost-of-living adjustments for which you may be eligible. If you continue working past age 62, your additional earnings could increase your benefit.

<p>Step 1: Enter your actual earnings in Column B, but not more than the amount shown in Column A. If you have no earnings, enter "0."</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>Step 3: Choose from Column D the 35 years with the highest amounts. Add these amounts. \$ _____</p> <p>Step 4: Divide the result from Step 3 by 420 (the number of months in 35 years). Round down to the next lowest dollar. This will give you your average indexed monthly earnings. \$ _____</p>	<p>Step 5: a. Multiply the first \$561 in Step 4 by 90%. \$ _____ b. Multiply the amount in Step 4 over \$561 and less than or equal to \$3,381 by 32%. \$ _____ c. Multiply the amount in Step 4 over \$3,381 by 15%. \$ _____</p> <p>Step 6: Add a, b and c from Step 5. Round down to the next lowest dollar. This is your estimated monthly retirement benefit at age 65 and 4 months, your full retirement age. \$ _____</p> <p>Step 7: Multiply the amount in Step 6 by 78.33%. 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		10.89	
1952	3,600		10.25	
1953	3,600		9.71	
1954	3,600		9.66	
1955	4,200		9.23	
1956	4,200		8.63	
1957	4,200		8.37	
1958	4,200		8.29	
1959	4,800		7.90	
1960	4,800		7.60	
1961	4,800		7.46	
1962	4,800		7.10	
1963	4,800		6.93	
1964	4,800		6.66	
1965	4,800		6.54	
1966	6,600		6.17	
1967	6,600		5.84	
1968	7,800		5.47	
1969	7,800		5.17	
1970	7,800		4.93	
1971	7,800		4.69	
1972	9,000		4.27	
1973	10,800		4.02	
1974	13,200		3.79	
1975	14,100		3.53	
1976	15,300		3.30	
1977	16,500		3.12	
1978	17,700		2.89	

Year	A. Maximum Earnings	B. Actual Earnings	C. Index Factor	D. Indexed Earnings
1979	22,900		2.65	
1980	25,900		2.43	
1981	29,700		2.21	
1982	32,400		2.10	
1983	35,700		2.00	
1984	37,800		1.89	
1985	39,600		1.81	
1986	42,000		1.76	
1987	43,800		1.65	
1988	45,000		1.58	
1989	48,000		1.52	
1990	51,300		1.45	
1991	53,400		1.40	
1992	55,500		1.33	
1993	57,600		1.32	
1994	60,600		1.28	
1995	61,200		1.23	
1996	62,700		1.18	
1997	65,400		1.11	
1998	68,400		1.06	
1999	72,600		1.00	
2000	76,200		1.00	

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