

Hi Social Security Blanket,

I'm 59 and I plan on retiring next year when I'm 60. I won't collect Social Security until I'm 66 but when I run my estimate online or look at my statement, it says "at your current earnings rate, if you continue to work until..." but I don't plan on working from 60 to 66. Will my payment be less? How can I get a more accurate estimate of my actual Social Security benefit?

Pauline Retiring at 60!

Dear Pauline,

Great question and I've heard this one numerous times. This is the answer printed on your Social Security statement. "We assumed you'll continue to work and make about the same as you did in the previous two years. Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator to obtain immediate and personalized benefit estimates."

So here's what you do to get a more accurate answer.

1. Create an online account at ssa.gov
2. Print out your full statement – turn to page 3 "earnings record"
3. Go to this website: <http://www.ssa.gov/retire2/AnypiaApplet.html>
4. Here's the fun part – fill out your earnings record, each year, year-by-year
5. Hit the CALCULATE BENEFIT button

You can run different scenarios without re-entering your data. Just make the change and hit the calculate button again. Remember – the calculation is based on your highest 35 years of earnings.

I entered a real client's data. Her current estimated benefit at 67 is \$2104 per month. This is how much she'll get paid in Social Security IF she keeps working to full retirement age and earns about the same current income.

She is 48 and made about \$50,000 on average per year (some years less, some more, some zeroes) and plans on making \$70,000 from now (48) until age 60 at which point she will make \$0 per year until beginning Social Security at 67. The calculator says her benefit will be \$1517 per month.

If instead she worked to age 67 at the \$70,000 per year, the calculator estimates her benefit at \$2188 (very close to the \$2104 number on her statement – good job Social Security office!).

So if she retires at 60 instead of 67, her Social Security drops by a surprisingly large \$671 per month. But if she works for another 7 years at her highest lifetime earnings, the calculator is replacing zeroes and lower earnings with its "highest 35 year" calculation. Yes this is a big deal, so retire early carefully!

Happy New Year! - Doug