

## Frequently Asked Questions

### Social Security Retirement Benefits

#### General

##### **Will I receive the amount reflected on my Social Security statement?**

It is likely the amount you actually collect will be different than the amount reflected in the statement, which is only an estimate based on current law. It uses your average earnings over your working lifetime and projects current earnings through when you collect at a rate similar to the preceding year. It does not take into account any cost-of-living adjustments.

##### **What happens if I retire at age 60 but do not start collecting until full retirement age (FRA)?**

Since your benefits will be based on your best 35 years of employment and the estimate assumes you will earn the same amount currently earned through FRA, the benefits you actually receive will most likely be lower than the amount reflected on your statement. A more accurate estimate may be calculated by using the Retirement Estimator on the Social Security Administration's website at [www.ssa.gov](http://www.ssa.gov).

##### **Can I start collecting benefits and change my mind?**

If you start collecting benefits and change your mind, you can file a "Request for Withdrawal of Application" form with the Social

Security Administration (SSA). If the request is granted, you need to repay the SSA all of the payments anyone has collected based on your work history. You can subsequently refile. The SSA has recently restricted withdrawals to within 12 months of collecting benefits and will only allow one withdrawal per lifetime.

##### **What will happen to my benefits if I collect but continue to work beyond FRA?**

The SSA will automatically recalculate your benefits each year you continue to work. If your current income is greater than your previously calculated "best 35 years," your benefits will be automatically adjusted upward. The increase generally will be made in October of the following year but will be retroactive to January 1.

##### **If I have never worked, am I eligible for any Social Security benefits?**

If you have never worked or have not worked enough to qualify for your own retirement benefits, you may still be eligible to collect spousal or survivor benefits from your spouse or ex-spouse.

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#### Important Acronyms

- ▶ **FICA (Federal Insurance Contributions Act) Tax** — A payroll tax imposed by the federal government on both employees and employers to fund Social Security and Medicare.
- ▶ **FRA (Full Retirement Age)** — The age at which you are entitled to your entire primary insurance amount. Varies between age 65 and age 67 depending on the year in which you were born.
- ▶ **GPO (Government Pension Offset)** — A reduction to the spousal and/or survivor benefits of individuals who receive a pension from a federal, state or local government based on work where FICA tax was not withheld. Social Security benefits will be reduced by two-thirds the monthly government pension.
- ▶ **PIA (Primary Insurance Amount)** — The full monthly Social Security retirement benefit to which you become entitled at FRA. All benefits based on your earnings record (including spousal and survivor benefits) are based on your PIA.
- ▶ **WEP (Windfall Elimination Provision)** — A different method of computing the PIA of an individual receiving a pension based on earnings not covered by Social Security (i.e., you did not pay FICA tax while paying into the pension system). WEP closes a loophole that enabled people who worked in both covered and non-covered employment from appearing to be low-wage workers and receiving higher benefits.

## Collecting Early

### If I start collecting prior to FRA, will my benefits be adjusted when I reach FRA?

No. Reductions due to collecting early are permanent.

### What if I start collecting benefits but return to work prior to FRA?

Based on the wages you earn each year, part or all of your benefits may be withheld. If you would prefer to keep the benefits from being withheld, you may elect to complete a “Request for Withdrawal of Application” form (see “Can I start collecting benefits and change my mind?” on the previous page).

### Will I get back what the SSA withheld when I reach FRA?

No. Any amount withheld is lost. However, your benefits will be adjusted to account for the withheld benefits on a go-forward basis at FRA. For example, if your FRA was age 66 and you began collecting benefits at age 62, there would have been a 25% reduction applied. Assuming you returned to work at age 63, the SSA may have withheld the equivalent of two years’ worth of benefits by the time you reached FRA. The SSA would then lessen the reduction to give you credit for the two years of benefits lost. The new reduction would be as though you started collecting benefits at age 64 (13.3% reduction) rather than age 62 (25% reduction).

## Taxation

### Will my SS benefits be taxable?

If your provisional income exceeds the thresholds listed in the table below, you will have to include as much as 85% of your benefits as income for federal income tax purposes. Provisional income is calculated by adding your modified adjusted gross income (MAGI) and 50% of your Social Security benefits.

### If I repay benefits, will I get credit for past taxes?

If any of the benefits repaid were subject to federal income tax in earlier years, you may be entitled to an itemized deduction or tax credit on your tax return the year of repayment. If the amount of benefits previously taxed is \$3,000 or less, you may be entitled to claim a deduction on Schedule A (Form 1040), line 23, subject to the 2% of adjusted gross income (AGI) limit. If the amount exceeds \$3,000, you may be entitled to claim a deduction on Schedule A, line 28. This is not subject to the 2% of AGI limit. Please refer to IRS publication 915 for other tax options when amounts exceed \$3,000.

## Pensions and the Windfall Elimination Provision (WEP)

### If I worked in jobs that paid Federal Insurance Contributions Act (FICA) taxes as well as jobs that paid into a civil retirement system and did not pay FICA taxes, will my pension benefits affect my Social Security benefits?

If you are covered by a pension under the civil retirement system and also qualify for Social Security benefits, your PIA will be reduced through WEP.

Typically, your PIA is calculated as 90% of the first \$767\* of average indexed monthly earnings (AIME), plus 32% of the next \$3,857\* of AIME, plus 15% of AIME in excess of \$4,624\*. If WEP applies, the 90% factor is reduced to 40%. Therefore, if you have AIME of \$3,000 and are not subject to WEP, you would have a PIA of approximately \$1,400. On the other hand, if you have AIME of \$3,000 but are subject to WEP, you would have a PIA of approximately \$1,000. WEP is phased out if you have substantial earnings covered by Social Security between 20 and 30 years.

### Provisional Income Limits

Single or Head of Household	Married, Filing Jointly
Base amount \$25,000 = not taxed	Base amount \$32,000 = not taxed
\$25,000 - \$34,000 = up to 50% taxable	\$32,000 - \$44,000 = up to 50% taxable
Above \$34,000 = up to 85% taxable	Above \$44,000 = up to 85% taxable

\* For 2012. Figures update annually.

## Family Benefits

Beneficiaries Entitled to Collect Once You File
<b>Your Spouse</b>
Age 62 or over
Any age, if caring for your child who is under age 16 or disabled before age 22
Age 60 if widower
<b>Your Unmarried Child</b>
Under age 18, up to age 19 if in high school, or any age if disabled before age 22
<b>Your Ex-Spouse</b>
Age 62 or over provided that you were married at least 10 years, he or she is not currently married and not entitled to equal to higher benefits based on his or her own record or someone else's.

### Spousal Benefits

#### If my spouse collects benefits early, does that reduce my spousal benefits?

No. Spousal benefits are based on your spouse's FRA benefit and when you collect spousal benefits. When your spouse collects benefits will not affect your spousal benefits.

#### Do I have to wait to collect spousal benefits until my spouse starts collecting benefits?

You must wait until your spouse has filed for benefits but not until he or she collects benefits. If your spouse is at least FRA, he or she can apply for benefits and suspend collection until a future date. This allows you to apply for spousal benefits while allowing your spouse to continue to receive delayed retirement credits (DRCs) on his or her own benefits.

#### Can I collect spousal benefits from my younger spouse's earnings history?

Yes, provided your spouse has filed for benefits.

#### Do spousal benefits continue to increase beyond FRA like individual benefits do?

No. Spousal benefits do not receive DRCs. Therefore, they are at their highest at FRA.

#### Can I collect spousal benefits then switch to my own later?

As long as you are at least FRA when you begin collecting benefits, you can opt to collect "spouse only" benefits, letting your own benefits continue to grow, and switch to your own individual benefits at a later date.

#### Do I need to wait until retirement age to begin collecting spousal benefits?

If you are caring for a child under age 16 (or any age if disabled before age 22), you are eligible for spousal benefits even if you have not yet achieved retirement age. If you are currently working, you will be subject to the earnings test if you are not yet FRA.

2012 Retirement Earnings Limits	
<b>Under FRA</b>	
\$1 of benefits withheld for every \$2 in earnings above the limit	\$14,640/year
<b>Year individual reaches FRA</b>	
\$1 of benefits withheld for every \$3 in earnings above the limit for months prior to attaining FRA	\$38,880/year
<b>Month individual reached FRA and beyond</b>	
Reduction no longer applies	Unlimited

### Survivor Benefits

#### If I am working and under FRA, can I collect survivor benefits?

If you are collecting any type of retirement benefits prior to FRA you are subject to the earnings test.

#### If I am collecting survivor benefits and remarry, do I lose the survivor benefits?

No.

#### How old must I be to collect survivor benefits?

Survivor benefits can be collected as young as age 60. If you collect at age 60, you will face a reduction of up to 28.5%.

#### Can I start collecting survivor benefits then switch to my own a few years later?

Yes. You can opt to collect only survivor benefits and switch to your own individual benefits at a later date.

### Spousal and Survivor Benefits for Divorced Individuals

#### Do I have to be unmarried at the time to collect spousal benefits on my ex-spouse's work history?

You must be unmarried when you apply for spousal benefits based on an ex-spouse's work history.

#### If I have been divorced twice, can I collect spousal benefits on both ex-spouses' work histories?

No. You are entitled to collect on only one record, but the SSA will pay the highest benefits.

## Spousal and Survivor Benefits for Individuals With Pensions

### Am I able to collect spousal benefits if I have earned a pension?

Assuming you did not pay FICA taxes while paying into the civil retirement system, a government pension offset (GPO) would apply. Any spousal and/or survivor benefits to which you would otherwise be entitled would be reduced by two-thirds the value of your monthly pension.

## Children's Benefits

### Can my child receive benefits?

Yes. Children under age 18, 19 if still in high school, can collect retirement benefits when you file for benefits.

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Sources: BlackRock; Social Security Administration; Internal Revenue Service.

Please see the Social Security Administration's website at [www.ssa.gov](http://www.ssa.gov) for more information, restrictions and limitations about Social Security benefits.

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