Keep the Role of Social Security in Perspective

If you're counting on Social Security to provide you with a secure retirement, think again. Social Security benefits currently account for just over a third of the income of Americans 65 or older.[1] What's more, longer life expectancies and the aging of the population will put an increasing burden on the Social Security system, making your own retirement funding more important than ever.

Social Security: Many Things to Many People

Social Security is the general term that describes a number of related programs: retirement, disability, and dependent and survivor benefits. These programs provide limited financial assistance to workers and their families when their normal flow of income shrinks because of retirement, disability, or death.

According to the Social Security Administration's most current data, 64.2 million Americans now receive some type of Social Security benefit or assistance.[1] This includes elderly retirees and their families, disabled workers and their families, and survivors of deceased workers. Contrary to what many think, Social Security was not designed to meet all the financial needs that arise from a person's old age, disability, or death. It was — and is — intended to serve as a supplement to private savings and privately funded retirement plans. So the more you can do for yourself to save and invest for retirement, the better off you may be.

How Much Will Social Security Pay?

The exact amount of your Social Security benefit will depend upon your earnings history. You can obtain an estimate of your benefits at the Social Security Administration's online estimator. You can also call the Social Security toll-free number at (800) 772-1213 and request Form SSA 7004, the "Request for Social Security Statement." Complete the form and send it back. You will receive a personalized estimate of your benefits, plus a statement showing your annual earnings. Like reconciling your bank statement, your Social Security summary of annual earnings should be verified against your tax return statements, W2 forms, or your own records. If there are any discrepancies, report them at once.

How Social Security Works

Social Security contributions are paid by you and your employer. Your contributions were deducted from your paychecks since the day you started working and are matched by an equal amount paid by your employer. These contributions pay for:

- Retirement benefits -- Collectible at any time after age 62 and based on the number of years you've been working and the amount you've earned. In some cases, your children and your spouse may also be eligible for benefits on your account.
- Survivor's benefits -- A kind of life insurance coverage available to your spouse and dependents.
- Disability insurance -- Provides a monthly income in the event you are unable to work due to a disability. Eligibility depends on the number of "credits" you have earned and your age.
- Medicare -- Entitles you to medical benefits and coverage, including hospital insurance after age 65.

LPL Financial

When You Retire Determines What You Get

- Currently you can retire at normal retirement age (between age 66 and age 67 depending on when you were born) and receive full benefits.
- Retire between 62 and 65 and receive a reduced benefit.
- Continue working and delay the receipt of benefits, and get a bonus for each year of work past normal retirement age, up to age 70. "Delayed retirement credits" currently amount to 8% annually in order to encourage later retirement.

Changes in Your Monthly Benefits

Your monthly Social Security check may change to reflect the following:

- Cost-of-living increases.
- Eligibility for disability benefits after retirement, but before you reach normal retirement age.

Make the Most of Your Benefits

You must apply for Social Security benefits.

- If you are eligible for both your own retirement benefit and your spouse's benefit but your spouse's benefit is greater, Social Security will pay your own benefit first, then add on a portion of your spousal benefit to equal the higher amount. Remember to apply for retirement benefits a few months before you want them to start. Some time is required to process all the paperwork, including your Social Security number, proof of age, and evidence of recent earnings (W-2 forms from the last two years, or, if you're self-employed, copies of your two most recent tax returns).
- Reconcile your Social Security earnings report with your own records at three-year intervals. Report any discrepancies.
- Bear in mind that "earnings limitations" (which change each year) may limit the amount you may earn while still receiving Social Security benefits. Those limitations end when you reach normal retirement age.
- Keep Social Security records up-to-date if you change your name, in order to have your earnings credited properly.

Regardless of your Social Security options, think of Social Security as only a small percentage of your total retirement plan and set aside a portion of your income on a regular basis. Saving and investing for your own retirement nest egg is a "must."

[1]Source: Social Security Administration, _Fast Facts & Figures About Social Security, 2015_.

LPL Financial