

# Social Security: Answers to Your Questions



Social Security was signed into law in August 1935 to help provide retirees with a source of income in retirement. Here are four commonly asked questions about retiree benefits.

## 1. What if I plan on working during retirement?

You may decide to continue working or even start another career while taking your Social Security benefits, but be careful. Your benefits can be reduced if your wages from work exceed certain limits.

For example, in 2017:

- Prior to the year in which you reach Full Retirement Age (FRA), Social Security deducts \$1 from your benefit payments for every \$2 you earn above \$16,920.
- Beginning on January 1 of the year in which you reach FRA, Social Security deducts \$1 in benefits for every \$3 you earn above \$44,880, but Social Security only counts earnings before the month you reach your FRA.
- You'll receive your benefits with no limit on your earnings starting with the month you reach FRA.
- If your second career really takes off, you'll be hearing from the taxman. Social Security recipients earning substantial income (e.g., wages, self-employment, interest, dividends, etc.) may have to pay income tax on up to 85 percent of their Social Security benefit.

## 2. What's the difference in benefits if I take Social Security at 62 versus my Full Retirement Age?

There's a significant difference. A person taking their Social Security benefit at 62 years of age gets 20 percent to 30 percent less in monthly benefits than if they wait until they're 66. Example: A recipient born in 1946 will receive \$1,000 per month if they elect full benefits at age 66, their FRA. If the retiree instead elects benefits at age 62, the benefit is reduced 25 percent to \$750 per month.

Before you make a decision on when to receive your Social Security benefits:

- Verify your FRA and find out what your expected Social Security benefit will be. You can get this information from the Social Security Administration ([ssa.gov](http://ssa.gov)).
- Consider your family's history of longevity. If longevity doesn't run in your family, you may want to take benefits prior to your FRA. If it does, consider waiting until your FRA or even later.

| Social Security Full Retirement Age |                       |                                  |
|-------------------------------------|-----------------------|----------------------------------|
| Birth Year                          | Age for Full Benefits | Reduction for Benefits at Age 62 |
| 1937 or earlier                     | 65                    | 20.00%                           |
| 1938                                | 65 and 2 months       | 20.83%                           |
| 1939                                | 65 and 4 months       | 21.67%                           |
| 1940                                | 65 and 6 months       | 22.50%                           |
| 1941                                | 65 and 8 months       | 23.33%                           |
| 1942                                | 65 and 10 months      | 24.17%                           |
| 1943-1954                           | 66                    | 25.00%                           |
| 1955                                | 66 and 2 months       | 25.83%                           |
| 1956                                | 66 and 4 months       | 26.67%                           |
| 1957                                | 66 and 6 months       | 27.50%                           |
| 1958                                | 66 and 8 months       | 28.33%                           |
| 1959                                | 66 and 10 months      | 29.17%                           |
| 1960 and later                      | 67                    | 30.00%                           |

Source: Social Security Administration.

### 3. Are there advantages to waiting until after my Full Retirement Age to begin benefits?

Absolutely. For recipients born after 1943, there's an 8 percent annual increase in benefit payments for each year you wait to start payments from FRA until age 70. This is an important increase for those who don't need the benefit thanks to other income sources.

### 4. How do my Social Security decisions impact my spouse's benefits?\*

In general, spouses are eligible to receive the higher of either their own Social Security worker's benefit or one-half of their spouse's benefit (known as a spousal benefit). In cases where one spouse earns more than double the other spouse during their lifetime, collecting benefits before Full Retirement Age will not only reduce their benefit but also any spousal benefit they're entitled to.

Delaying Social Security can increase the benefits for a surviving spouse. Upon the death of a worker, the spouse will receive their existing benefit or the deceased spouse's benefit, whichever is greater. Some married couples may find it favorable for the spouse with the lower benefit to take it early while delaying the benefit of the spouse with higher earnings.

\*Changes have occurred due to the Bipartisan Budget Act of 2015.



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