

THE 411 ON SOCIAL SECURITY



TPC

401(K)

THE PAYROLL COMPANY

Social Security is a very important component of the retirement income stream for the majority of Americans, but understanding what it is and how it works can be somewhat confusing, and can bring about a few misconceptions. There are a few key features we think are worth covering. After all - the more information you have, the better off you'll be when you begin your retirement years. So let's cover some of the basics.

HOW DOES SOCIAL SECURITY WORK?

Simply put, social security is funded by pooling mandatory contributions from workers into a pot, and then paying out benefits to those who are eligible. In your working years, a portion of your paycheck is taxed and earmarked for social security. When you become eligible, you can begin withdrawing social security as opposed to paying for it.

According to the Social Security Administration, around \$.85 of every Social Security tax dollar goes to eligible retirees or surviving spouses/children. The remaining \$.15 goes towards benefits for people with disabilities and their families.

HOW DO I BECOME ELIGIBLE TO COLLECT SOCIAL SECURITY?

You can begin taking social security when you reach certain age minimums OR become disabled (as clearly defined by the SSA). If you are the surviving spouse or child of a recipient who passed away you may also be able to collect benefits.

According to the Social Security Administration, you qualify for Social Security benefits by earning Social Security "credits" when you work in a job and pay Social Security taxes. Credits are based on the amount of your earnings. Both earnings and work history are used to determine your eligibility for retirement or disability benefits or your family's eligibility for survivors benefits when you die. For example, In 2018, you receive one credit for each \$1,320 of earnings, up to the maximum of four credits per year. Each year the amount of earnings needed for credits goes up slightly as average earnings levels increase. The credits you earn remain on your Social Security record even if you change jobs or have no earnings for a while.

In total, if you were born after 1929, you will need 40 credits or 10 years of work to qualify to receive retirement benefits.

THE 411 ON SOCIAL SECURITY



WHEN CAN I BEGIN COLLECTING MY BENEFITS?

After you have accumulated the required number of credits (40), you may begin claiming social security retirement benefits as early as age 62. It's important to note that waiting longer could increase the amount you receive. "Full" retirement age as determined by the SSA is age 67 if you were born in 1960 or later. If you choose to hold off on receiving benefits until full retirement age, you will receive your "full benefit amount - that is, the full amount you're entitled to based on your earnings record.

If you should choose to claim benefits early (prior to full retirement age), your monthly payment will be lower. Those claiming benefits at age 62 will receive 70% of your primary amount. If you begin collecting at age 65, you will receive 86.7% of your benefit.

Conversely, your monthly amount will increase if you choose to delay payments even after you reach full retirement age. Your amount will increase by 8% for every extra year you wait to claim your benefits (up to a maximum age of 70).

HOW CAN I MAKE SURE I'M PREPARED?

You can start by visiting the social security website: www.socialsecurity.gov. There, you can apply for benefits, view your social security statement, get answers to frequently asked questions, and more.

We believe it's never too early to plan for the future. It's ironic...people will spend weeks planning a vacation, but a FRACTION of the time planning for retirement. We know it can seem overwhelming at times - but it doesn't have to be. There are a great deal of professionals available to help you put it all together, and find out where your money will come from at retirement. If you have a financial advisor, you may want to reach out to set an appointment to discuss your situation.

Our experienced professionals at TPC 401(k) are ready and able to assist in any way we can. Your success is our success. **Contact us today. 1.888.505.4484.**
