

**From the desk of
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Solving Some of the Mysteries of Social Security!

Your Social Security is based on three factors: eligibility, earnings and age.

Eligibility

To be eligible for Social Security retirement payments, you need 40 Work Credits.

You earn up to four work credits per year, also referred to in Social Security lingo as quarters.

In 2015 one earns one work credit, or quarter for each \$1220 earned anytime during the year. To earn all four quarters for 2015 one must earn no less than \$4880 for the entire year.

Only work where you pay Social Security taxes counts.

The amount required to be earned each year is adjusted for by inflation, therefore the minimum amount to qualify changes yearly.

One must have 40 work credits, or quarters during their lifetime to qualify for Social Security Benefits.

Average Earnings

The second factor is your lifetime average earnings.

Many pensions are computed on your best five years of work.

Not Social Security. It's based on your best *35 years* of work.

- SSA records each year's earnings subject to Social Security taxes.
- When you reach the age of 62, every year is multiplied by an inflation factor to make it more comparable to current pay levels.
- The top 35 years of inflated earnings are selected and averaged together.

The years need not be contiguous (in a row or block).

The 35-year average is used to determine your Social Security benefit payment — a higher average means higher Social Security.

Thirty-five years are used for the computation to arrive at your SS benefit payment amount.

If you did not work 35 years those missing years will reduce your SS benefit.

Missing years post as zeros, reducing your 35-year average.

Avoid two mistakes here.

- High late-career earnings do not equate into higher Social Security benefits, if you had low earnings earlier. The computation is based upon a lifetime average.
- Retiring a few years early after lifelong work will not drastically reduce your Social Security benefits.

A few zeros have little impact on your 35-year average.

Your age at retirement

The third factor is your age when you start drawing SS payments.

Your **Full Retirement Age** (FRA) is generally between 65 and 67 determined by your birth year.

Once you reach your FRA, you can request to start payments any month from 62 to 70.

Starting your SS benefit payments at your FRA and you will receive 100% of the amount available to you.

Starting payments earlier will reduce any benefit you will receive. As an example, if your FRA is 66, and you start your payments at age 62, you have 48 months more to collect, but that will yield approximately 75% payment of the full payment you would have received at age 66.

Starting payments after your FRA you will see an increase in each month's based upon a **Delayed Retirement Credit** (DRC).

As an example, if your FRA is 66 and you elect to start payments start at 70, the 48 DRCs yield a 132% payment.

(Age factors top out at 70), therefore do not delay filing after you reach age 70.

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