



# E-Financial Update

Financial Ideas & Education for CCOERA Plan Participants

## Social Security Highlights

This update briefly explains your Social Security retirement income benefits. It assumes you have qualified for these benefits based on your employment and earnings history. To obtain more complete information on your benefits, we suggest you to go to the Social Security website at [www.ssa.gov](http://www.ssa.gov). This information is subject to change.

Despite the unfavorable media attention Social Security gets, it will still represent an important part of most participants' retirement income. The Social Security Administration projects that Social Security benefits will account for about 40% of the total income needed by retiring Baby-boomers. The other 60% of income needed will come from retirement accounts, personal assets, job earnings & misc. To more conservatively plan for retirement, we encourage participants to count on Social Security for less than 40% of their total retirement income need and to plan on saving enough in retirement accounts & personal savings to cover more than 60% of their retirement income.

Table 1: Normal Retirement

Full Benefits	
Year of Birth	Age
1937 and earlier	65
1938	65 +2 months
1939	65 +4 months
1940	65 +6 months
1941	65 +8 months
1942	65 +10 months
1943-54	66
1955	66 +2 months
1956	66 +4 months
1957	66 +6 months
1058	66 +8 months
1959	66 +10 months
1960 and later	67

## When can you start collecting?

Table 2: Early Retirement

Reduced Benefits	
Year of Birth	Age 62 Benefit
1940	77.50%
1941	76.67%
1942	75.83%
1943-54	75.00%
1955	74.16%
1956	73.34%
1957	72.50%
1058	71.67%
1959	70.83%
1960 and later	70.00%

You have three choices. First, you may elect to receive the full benefit if you retire at a "Normal Retirement" age (65+). Table 1 above shows your full benefit age based on your year of birth, and Table 4 at the bottom left on this page estimates what these benefits might be for three general income levels.

Second, you may choose the reduced benefit at age 62. The "Early Retirement" Table 2 indicates the percentage of the full benefit you will receive at 62. This lower amount will be constant throughout your retirement. You may collect three years+ of extra benefits up front, but your break-even point is about twelve years. This means that if you live longer than twelve years after a normal retirement age to age 77+, you will lose 20%-30% of the full benefit amount on all the years you live beyond this age.

Furthermore, your Medicare Health Benefits won't begin until age 65 and your Social Security Income Benefit may be reduced if you have job income that exceeds a certain limit (\$12,480 in 2006).

Table 3: Delayed Retirement

Increased Benefit Credits	
Year of Birth	Credit per Year
1931-32	5.0%
1933-34	5.5%
1935-36	6.0%
1937-38	6.5%
1939-40	7.0%
1941-42	7.5%
1943 and later	8.0%

Finally, you may opt for "Delayed Retirement" benefit credits shown on Table 3. Each year you delay you can increase your lifetime annual benefit by 8% up to age 70. This is a compounded increase calculated on your base benefit plus any credit (benefit increase) already earned. This increased amount will remain constant throughout your retirement. You will forego receiving normal retirement benefits in earlier years, but if you or a surviving spouse live long enough (12-15 yrs past Normal Retirement Age) to recoup your delayed benefit amount, then your remaining

benefits throughout retirement will be about 25%-30% higher than your Normal Retirement Age benefit at age 65+.

As a general rule, the early benefit is a better option for those anticipating a shorter life expectancy, whereas the delayed benefit favors the person with a longer life expectancy. For most people, life expectancy is not something they want to think about, but it is an important consideration in planning for retirement.

Please don't hesitate to contact your CCOERA Client Services representative to assist you with your retirement planning needs.

Table 4: Social Security Benefit Estimates

Current Age	Gross Annual Income (Individual)		
	30,000	50,000	70,000
30	14,160	20,124	23,124
40	13,764	19,824	22,692
50	12,924	18,492	21,768
60	11,604	16,296	20,328
65	11,580	16,140	20,604

**Married couples:** The lower earning spouse receives the greater of their earned benefit or 50% of the higher earning spouse's benefit.

**Note:** All tables were created using the Social Security benefits website at [www.ssa.gov](http://www.ssa.gov).