



Citi Education Series
on Family Economic Security



Planning for the Future: What Women Need to Know **About Social Security** **June 23, 2009**

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Speakers for this Session



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Poll question

Please tell us a little bit about yourself. Pick the answer that best describes you:

- Direct service provider (private or nonprofit)
- Advocate (state or federal)
- Government agency (federal, state or local)
- Employer
- Union
- Interested Individual
- Other



Women have the greatest need in retirement....

- Women live longer than men; in 2006, the life expectancy for U.S. women was 80.2 years; men's life expectancy was 75.1 years.
- And average life expectancy is just that: many women will live longer!



But women have fewer resources....

- Women earn 78% of what men earn, and the earnings gap is even larger for women of color.
- Working women are more likely to work fewer hours, work part-time, and leave the workforce for longer periods of time than men, which reduces the contributions they make to Social Security.
- Life events such as divorce can have severe economic consequences for women – more so than for men.
- And many women, like men, have seen their retirement savings (like 401ks or IRAs) shrink during the current economic crisis.



As a result....

- Women age 65 and older are more likely to be poor than men of the same age. In 2007, 12% of elderly women were poor, compared to 6.6% of elderly men.
- Divorced and separated and never-married women are more likely to be poor in retirement than married women.
- Older women of color are much more likely to be poor than older white women.



So Social Security is crucial for women

And women need to understand the basics of how Social Security works and what they can expect in terms of benefits as they plan for the future.

Today we're going to cover:

- Social Security ABCs
- Understanding Your Social Security Benefits



Maria Freese, National Committee to Preserve Social Security and Medicare



- **Maria P. Freese** joined the National Committee to Preserve Social Security and Medicare in September, 2003, and is currently Director of Government Relations and Policy where she oversees strategic planning and advocacy initiatives on Social Security and Medicare.
- Maria is an attorney with 17 years legislative experience in employee benefits, individual income taxes, and retirement security and pensions. She served as Democratic Tax Counsel for individual tax issues for the Senate Finance Committee, Legislative Director for Rep. L. F. Payne, D-VA, and Legislative Assistant for Rep. Norm Dicks, D-WA.
- Maria holds a B.A. from Eckerd College in St. Petersburg, Florida and a J.D. from the Georgetown University Law Center.



Social Security is Vital

- Gives workers a secure, basic retirement income for as long as they live
- The only pension system that is:
 - Universal and portable
 - Defined-benefit (based on work history)
 - Inflation protected
- Covers 96% of all workers against the loss of income due to retirement, death or disability
- Pays benefits to over 51 million people – one in every four American households



Social Security and Retirement

- Benefits today are received by over 34 million retired workers and their dependents (women make up 56%)
- Single most important source of retirement income for most workers
 - 2 of 3 depend on it for over $\frac{1}{2}$ of their income
 - The *only* source of income for nearly 1 in 5
- Absent Social Security, over $\frac{1}{2}$ of older Americans would fall into poverty



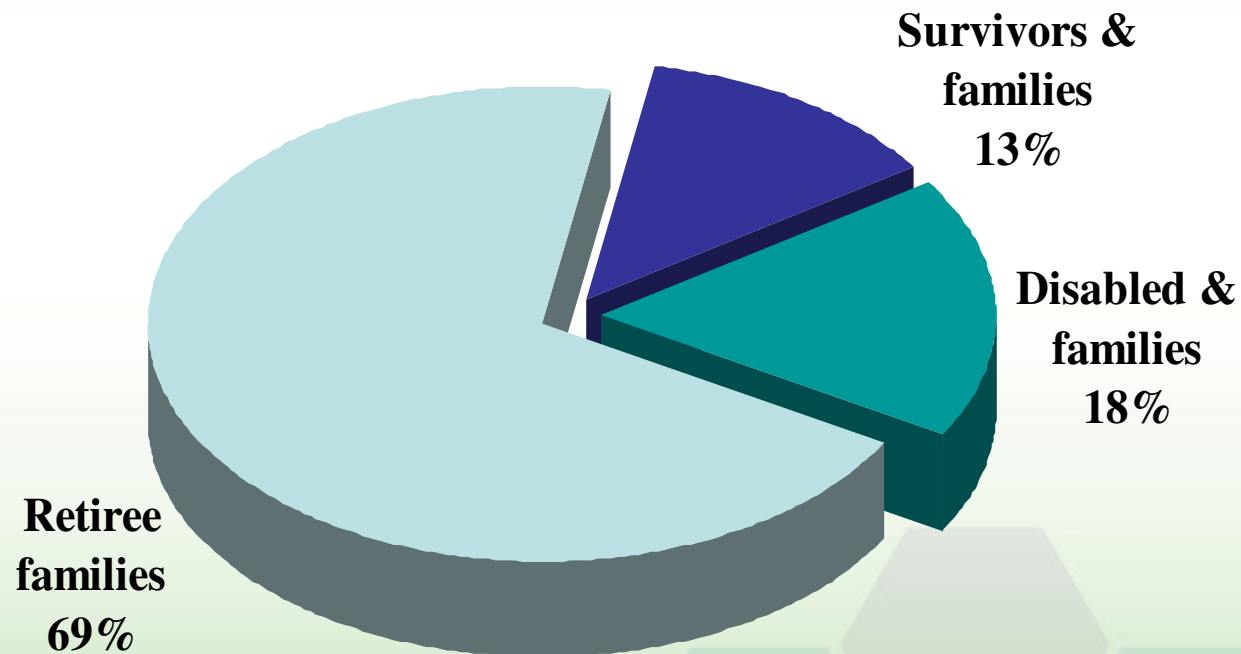
More than Just Retirement

- 1 in 7 Americans will die before age 67
 - Over \$400,000 worth of life insurance
- 3 in 10 20-year-olds will become disabled before age 67
 - Over \$400,000 worth of inflation-protected disability insurance



Family Insurance

One-third of benefits go to survivors
and the disabled





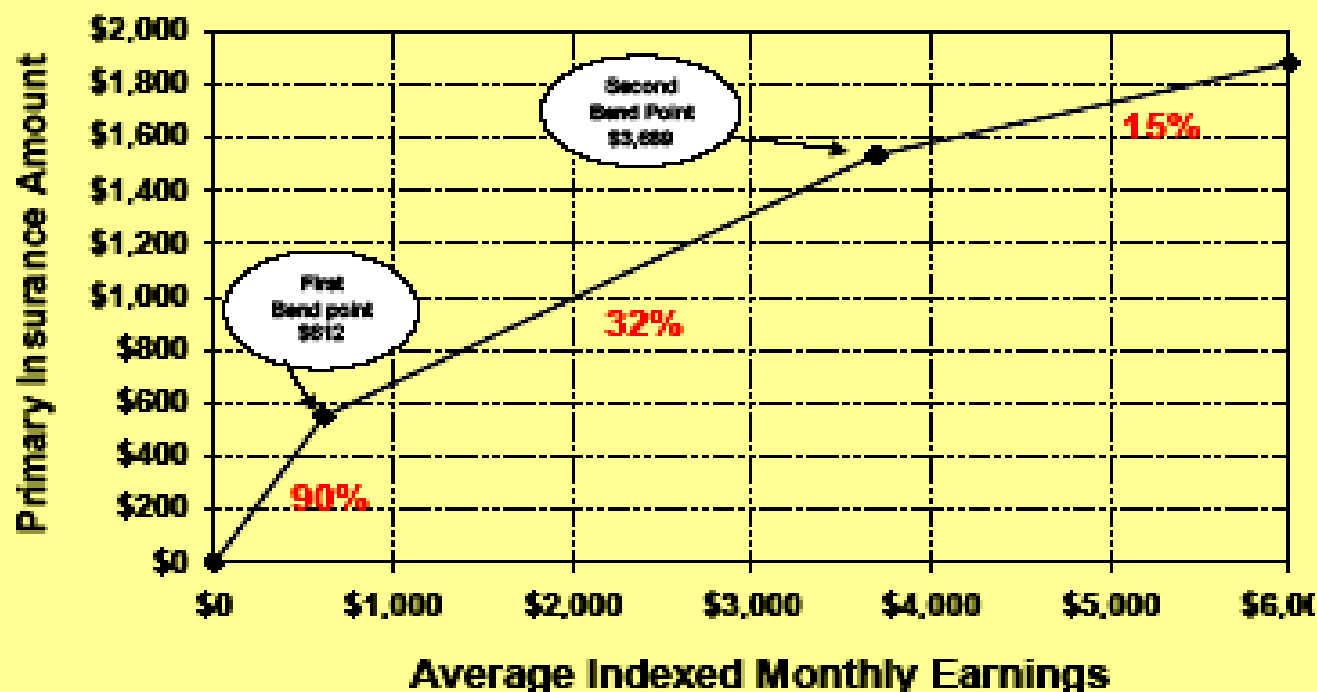
What Does It Cost?

- Payroll Tax of 6.2% for both Employer and Employee (5.3% OASI + 0.9% DI)
- Up to \$106,800 in covered wages in 2009
- Self-employed pay both portions. $\frac{1}{2}$ is deductible from gross income



Calculating Benefits

Primary Insurance Amount (PIA) formula
for persons turning age 62 in 2004





Poll Question

- The average annual Social Security benefit for a worker retiring in 2009 is:
 - \$55,000
 - \$42,000
 - \$25,000
 - \$14,000

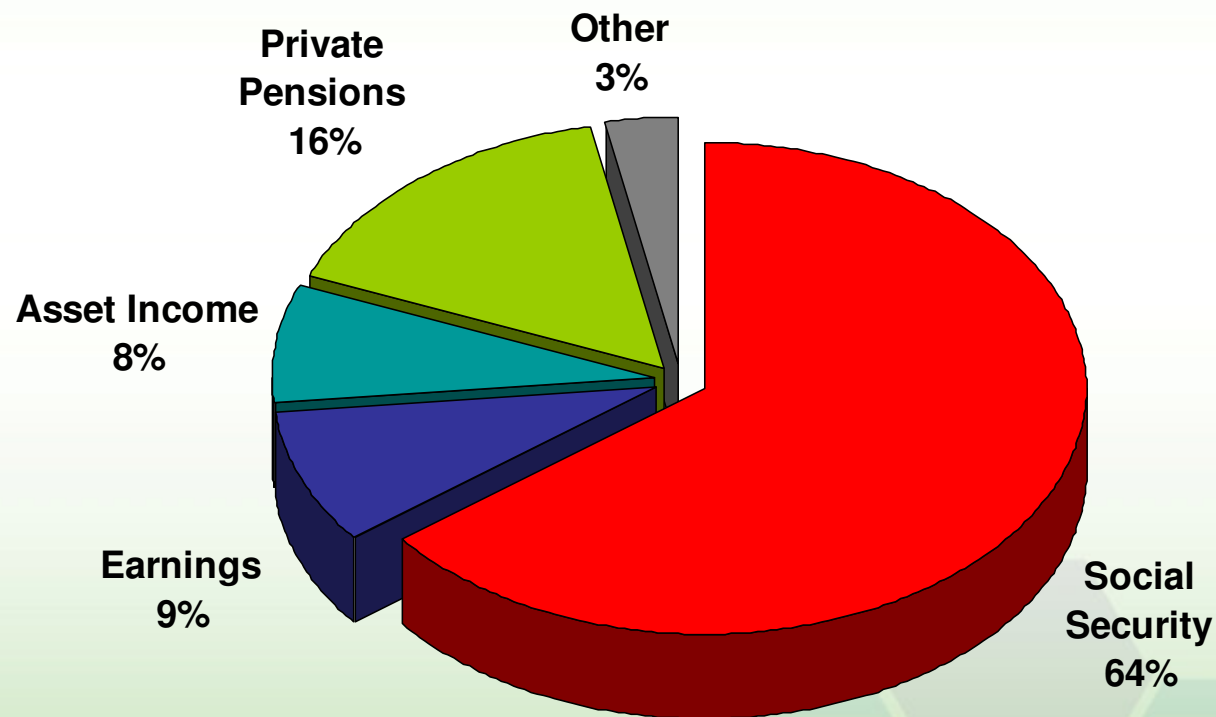


Benefits are Modest

	Average Benefit
Retired Worker	\$13,836
Retired Couple	\$22,512
Disabled Worker	\$12,768
Aged Widow	\$13,344
Maximum Worker Benefit	\$28,788



Benefits are Key



Middle 5th
Quintile

\$18,600-
\$28,900

*National
Academy of
Social
Insurance*



Privatization

- Privatization Dismantles Social Security
- Private Accounts take money OUT of Social Security
 - Make Social Security less solvent
- Replace Guaranteed Benefits with risky Wall Street investments
- Cost trillions of dollars to implement
- Result in dramatic additional benefit cuts



Poll Question

- If Congress does *nothing* to change Social Security, a woman who retires in 25 years can expect to receive:
 - 100% of her promised benefits
 - 75% of her promised benefits
 - 25% of her promised benefits
 - Nothing

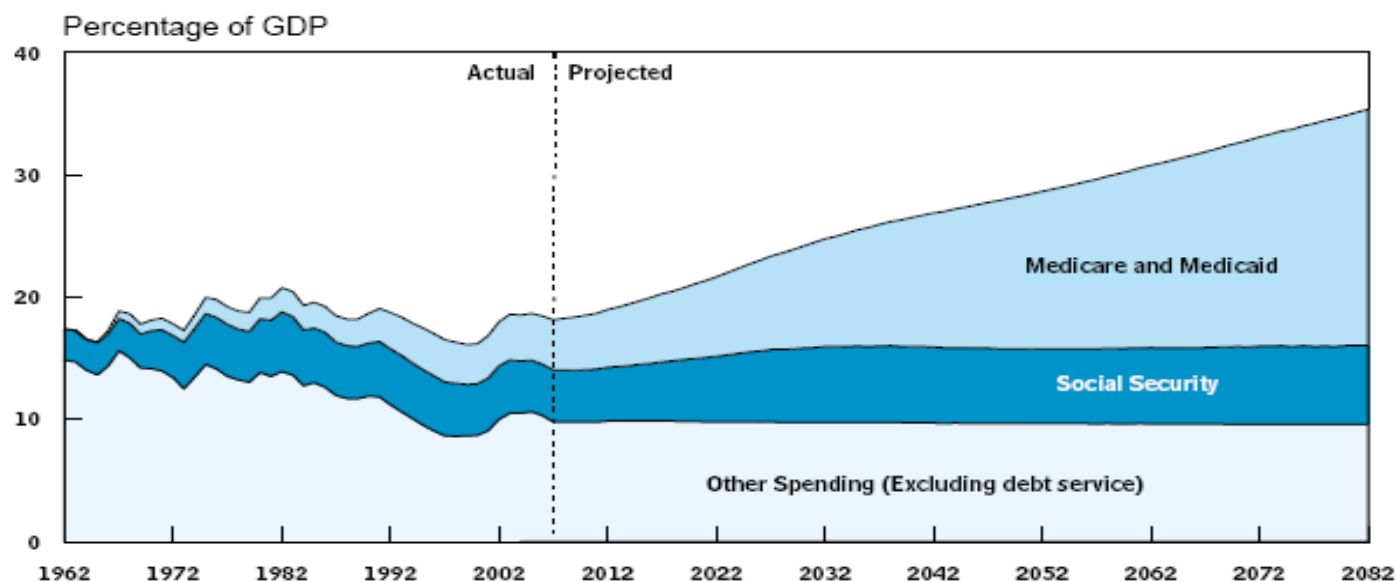


Social Security's Finances

- One of the few government programs currently running a surplus
- Surplus invested in Special Issue Treasury Bonds backed by Full Faith and Credit of the United States
- Pays full benefits until 2037
- 76% of program costs post-2037
- Gap over 75 years = 2% of payroll (about the cost of extending Bush tax cuts for top 1%)



Federal Spending Under CBO's Alternative Fiscal Scenario





Joan Entmacher, National Women's Law Center



- **Joan Entmacher** is Vice President for Family Economic Security at the National Women's Law Center, where her work includes Social Security, tax and budget, child care, child support, and other income supports.
- Joan is a leading expert on Social Security and women, who has frequently testified before Congress and researched, written and spoken on Social Security issues.
- Joan previously served as Director of Legal and Public Policy at the National Partnership for Women & Families, taught at Wellesley College, headed the Civil Rights Division of the Massachusetts Attorney General's Office, and was an attorney in the U.S. Department of Labor. She is a graduate of Wellesley College and Yale Law School.



Poll Question

Have you earned enough Social Security credits to qualify for retirement benefits?

- Yes
- No
- Don't Know



How do you qualify for Social Security as a retired worker?

- Earn 40 “credits” (10 years worth) (less for disability, life insurance benefits)
- This year, \$1,090 = 1 credit, \$4,360 = 4 credits
- Can only earn 4 credits per year (but higher earnings will raise your benefits)
- Work in a job covered by Social Security



How does Social Security calculate your benefit as a worker?

- Highest 35 years of wages
- Progressive formula
- Benefits recalculated every year to take account of additional earnings, even if you're already receiving benefits
 - Can replace zero or low earning years



How can you find out your estimated benefit?

- Read your annual statement from Social Security
- Go online to www.ssa.gov



Poll Question

Social Security Full Retirement Age (FRA) is going up! This means (True/False for each):

- You'll have to wait longer before you can get Social Security.
- You can still get benefits at 62 but they will be lower for younger people.
- Your benefit at 62 will be lower but the reduction will go away when you reach your FRA.



How does your age when you claim benefits affect the benefits you get as a worker?

Year of Birth	Full Retirement Age	Percentage of reduction in benefits for those retiring at 62	Percentage increase in benefits for those working beyond full retirement age
1937 or earlier	65	20.00%	6.5%
1938	65 and 2 months	20.83	6.5
1939	65 and 4 months	21.67	7.0
1940	65 and 6 months	22.50	7.0
1941	65 and 8 months	23.33	7.5
1942	65 and 10 months	24.17	7.5
1943 to 1954	66	25.00	8.0
1955	66 and 2 months	25.84	8.0
1956	66 and 4 months	26.66	8.0
1957	66 and 6 months	27.50	8.0
1958	66 and 8 months	28.33	8.0
1959	66 and 10 months	29.17	8.0
1960 and later	67	30.00	8.0

SOURCE: SOCIAL SECURITY ADMINISTRATION



Claiming before FRA Reduces Your Benefit

Example: You were born between 1943 and 1954. Your FRA is 66.

- Age 66 benefit = \$1,000/month
- Age 62 benefit = \$750/month (- 25%)
- **The reduction does not go away when you reach 66.**



Claiming after FRA Increases Your Benefit

- If you wait two years after FRA (66) and claim at 68:
 - Benefit = \$1,160 (+8% for two years = +16%)



What should you think about when deciding when to apply for Social Security?

- On average, the lower monthly benefit a person gets by claiming early is balanced by extra months of benefits

BUT....



- If you live longer than average, you get more over your lifetime by waiting.
- You may need the higher income more when you're older.
- The same COLA percentage is applied to all benefits. But the bigger the benefit, the bigger the dollar adjustment. And the difference compounds.
- If you're eligible for a benefit as a spouse or a widow, or your spouse might get such a benefit from you, there's more to think about.



What if you continue to work after you claim benefits?

If you are below FRA and earn above a certain amount, part of your benefit will be suspended.

- Before the year you reach FRA, \$1 in benefits withheld for every \$2 earned above the limit (\$14,160 in 2009).
- In the year you reach FRA, for the months before your birthday, \$1 in benefits withheld for every \$3 earned above a different limit (\$37,680 in 2009).
- Withheld benefits are repaid when you reach your FRA.

If you claim benefits at or after FRA, you receive your full benefit.



Are my Social Security Benefits Taxed?

Depending on your income, part of your benefits may be subject to federal income tax.

- Income up to \$25,000 (single), \$32,000 (married)
 - No benefits are taxed.
- Income between \$25,000-\$34,000 (single), \$32,000-\$44,000 (married)
 - 50 percent of benefits are taxed.
- Income above \$34,000 (single), \$44,000 (married)
 - 85 percent of benefits are taxed.



What benefit can you get as a spouse?

- Up to 50% of your spouse's benefit or your own worker benefit, whichever is higher. You must be:
 - Age 62.
 - Married (and not disqualified by the Defense of Marriage Act)
 - Divorced (after a 10-year or longer marriage)



- Options for claiming benefits as a spouse
 - Spouse must have claimed worker benefits (unless divorced).
 - If you file before your FRA and are eligible as a spouse and a worker, you are deemed to have filed for both benefits. You will get the higher benefit, but won't get the full 50% spouse benefit if you file before your FRA.
 - At your FRA, you can claim either benefit. You could receive a benefit as a spouse and wait to claim your worker benefit with delayed retirement credits.
 - Your spouse can file for benefits at FRA and suspend them. You can then receive a spouse benefit while your higher-earning spouse earns delayed retirement credits. This increases the benefit you can get as a widow(er).



What benefits are you entitled to as a widow(er)?

- Up to 100% of your deceased spouse's benefit or your own worker benefit, whichever is higher.
- You can claim benefits as a widow(er) at age 60, or age 50 if you are disabled.
- If you or your deceased spouse claim before FRA, the widow(er)'s benefit is reduced.



- As a widow, you can choose whether to take your widow(er)'s or worker's benefit first, even if you are below your FRA.
- **By waiting to claim benefits until FRA or beyond, a higher-earning spouse can provide a larger Social Security benefit for the surviving spouse.**



What if you are divorced?

- If your marriage lasted for 10 years, you get the same benefits as a current spouse or widow.
- You don't have to do anything when you get divorced. When you apply for Social Security, bring documentation of the marriage and divorce.
- Your receiving benefits as a divorced spouse won't affect benefits for your ex-spouse or the ex's current spouse.
- Unlike someone who is currently married, you don't have to wait for your ex-husband to apply to receive a benefit as a divorced spouse. You can get benefits if you are both at least age 62, and have been divorced for at least 2 years.



What if I or my spouse gets a pension from work not covered by Social Security?

- The Windfall Elimination Provision (WEP) uses a modified benefit formula to calculate the benefit of a worker who also receives a pension from noncovered employment.
 - The WEP reduces Social Security benefits for a worker and a spouse or surviving spouse receiving benefits on that worker's record.
 - Know what to expect: use Social Security's online WEP calculator



What if I or my spouse gets a pension from work not covered by Social Security?

- The Government Pension Offset (GPO) affects individuals who receive a pension from noncovered work and are entitled to a Social Security benefit as a spouse or widow.
 - The Social Security spouse or widow's benefit is reduced by 2/3 of the amount of the pension from noncovered work.
 - Know what to expect: Social Security has an online GPO calculator.



Resources

- National Committee to Preserve Social Security and Medicare: www.ncpssm.org
 - Ask Mary Jane
- National Academy for Social Insurance: www.nasi.org
- Social Security Administration for women: www.ssa.gov/women
- Administration on Aging: www.aoa.gov
- Medicare: www.Medicare.gov
- Centers for Medicare & Medicaid Services: www.cms.hhs.gov



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For a copy of today's materials...

Stay tuned! We will send you an email by Friday with a link to this power point and a voice recording of today's presentation.



Learn More!

- On July 9, 2009 we will be offering **Planning for the Future: What Women Need to Know About Pensions and Savings**, another free webinar.
- **Register Now:**
<http://action.nwlc.org/pensionsandsavings>