



Citi Education Series
on Family Economic Security



Planning for the Future: What Women Need to Know
About Social Security
September 7, 2011



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 2007, 65-year-old women in the U.S. could expect to live to age 85; men at that age could expect to live to 82.
- And average life expectancy is just that: many women will live longer!



But women have fewer resources....

- Women earn 77% 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. In 2009, 10.7% of older women compared to 6.6% of older men were poor.
- Divorced, separated and never-married women are more likely to be poor in retirement than married women.
- Older women of color are more likely to be poor than older white women.
- Without Social Security, half of all women 65 and older would be poor.



Because Social Security is crucial for women

Women need to understand the basics of how Social Security works and what benefits they can expect so they can 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 Counsel and Director of Government Relations and Policy.
- 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 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
 - Provides benefit based on work history, not stock market returns
 - Inflation protected
- Paid benefits to more than 54 million people in 2010



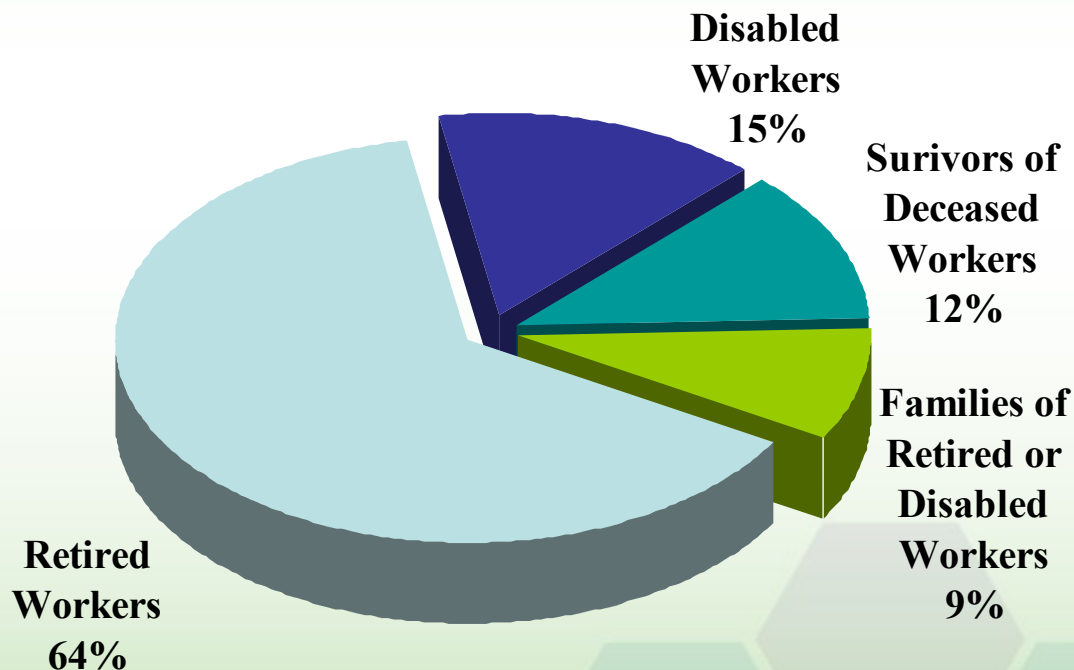
Social Security and Retirement

- Benefits today are received by over 37 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 4
- Absent Social Security, over $\frac{1}{2}$ of Americans age 75 and older would fall into poverty



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 2010
- Self-employed pay both portions. $\frac{1}{2}$ is deductible from gross income

* For 2011, the Congressionally enacted "Payroll Tax Holiday" reduced contributions for workers to 4.2 percent, with general revenues reimbursing the Trust Funds for the shortfall.



Benefits are Progressive

- All workers receive a benefit based on lifetime earnings
- Workers with lower lifetime earnings receive proportionately higher benefits



Poll Question

- The average annual Social Security benefit for a new claim filed in 2010 is:
 - \$30,000
 - \$22,700
 - \$18,500
 - \$14,000



Benefits are Modest

	Average	Men	Women
Retired Worker	\$14,112	\$15,876	\$12,276
Disabled Worker	\$12,816	\$14,292	\$11,172
Current Beneficiaries based on own work record			

Maximum Benefit for Worker Retiring in 2010 - \$28,392



Benefits are Inflation Protected

- Automatic Cost-of-Living Adjustment (COLA) to help keep up with inflation
 - 2009 first year with zero COLA
 - 2010 also zero COLA
 - 2011 COLA projected to be 0.7 percent
- Especially important for Women
 - Benefits grow over time



Threats To Social Security

- Super Committee
 - Benefit cuts
 - Cutting Cost-of-Living Adjustment (COLA)
 - Raising Retirement Age
 - Means Testing



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

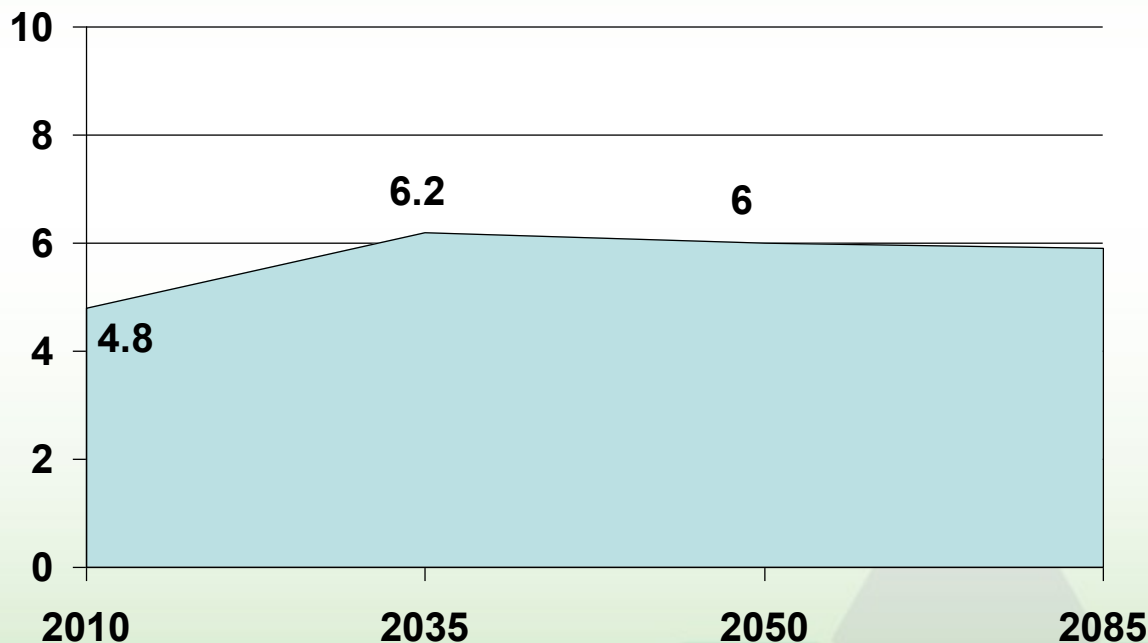


Social Security's Finances

- \$2.6 Trillion Surplus
- Surplus invested in Special Issue Treasury Bonds backed by Full Faith and Credit of the United States
- Pays full benefits until 2036
- 77% of benefits post-2036
- 74% in 2085
- Gap over 75 years = 2.2% of payroll (about the cost of extending Bush tax cuts for top 1%)



Cost as a Percentage of GDP is Modest





Amy Matsui, National Women's Law Center



- **Amy Matsui** is Senior Counsel for Family Economic Security at the National Women's Law Center, where her work includes women's retirement security and tax credits that benefit women and families.
- Amy previously worked in private practice in the areas of commercial litigation and civil appeals, and clerked for the Honorable Carolyn Dineen King on the Fifth Circuit Court of Appeals. She attended Stanford Law School and the University of California at Berkeley.



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)
- In 2011, \$1,120 = 1 credit, \$4,480 = 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?

- Go online to www.ssa.gov to see your estimated retirement benefit.
- Sadly, mailing the annual statement was suspended because of budget cuts.



Poll Question

Social Security's Full Retirement Age (FRA) is going up! This means (pick one):

- 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.



Claiming before FRA Reduces Your Benefit Permanently

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

- Example: Your benefit at FRA (66) is \$1,000.
 - Age 68 benefit = \$1,160 (+8% for 2 years)
 - Age 70 benefit = \$1,320 (+8% for 4 years)
 - Benefit claimed at age 70 (\$1,320) is 76% higher than a benefit claimed at age 62 (\$750).



Your FRA Depends on When You Were Born

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



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

- On average, the lower monthly benefit you get 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 2011).
- 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 2011).
- Withheld benefits are repaid when you reach your FRA.

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



What if I change my mind about claiming benefits?

- If your application hasn't been approved, you can withdraw it.
- You can withdraw an approved application if:
 - you apply to withdraw it within 12 months;
 - you repay all benefits received; and
 - anyone entitled on your record consents.
- After FRA, you can suspend future benefits without repayment and earn delayed retirement credits.



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.
- **Tip:** 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.
- **Tip:** 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.



- **Tip:** 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.
- **Tip:** 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'm entitled to Social Security benefits as a retired worker and also get a pension from noncovered work?

- Under the Windfall Elimination Provision (WEP), a special formula reduces the benefit of a worker who also receives a pension from noncovered work such as some public employment.
 - A WEP reduction also reduces benefits for that worker's spouse and surviving spouse.
 - Know what to expect: use Social Security's online WEP calculator



What if I'm entitled to Social Security benefits as a spouse or widow and also get a pension from noncovered work?

- The Government Pension Offset (GPO) will reduce your Social Security spouse or widow's benefit.
 - The reduction is $\frac{2}{3}$ 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 Women's Law Center, www.nwlc.org
- Social Security Administration for women: www.ssa.gov/women
- Administration on Aging: www.aoa.gov



For a copy of today's materials...

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



Learn More!

- On September 12, 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/site/Survey?SURVEY_ID=12762&ACTION_REQUIRED=URI_ACTION_USER_REQUESTS&autologin=true



Poll questions

We hope this webinar has been useful for you. Please let us know what you thought:

- Was the presentation too long? (yes/no)
- Did the presentation give you enough detail? (yes/no)
- Do you know where to go for more information? (yes/no)
- On a scale of 1 to 5, with 1 being the least helpful and 5 being the most helpful, how helpful was this webinar to you? (1,2,3,4,5)