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2009 Guide to Social Security

37th Edition

A simple explanation with easy-reference benefit tables.

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Guide to Social Security

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This ***Guide*** tells you in simple, practical terms what you need to know about Social Security and Medicare.

- What is the **cost** for you and your employer?
- What **types of benefits** are provided?
- **How much** you get.
- **When** you get it.
- How to **make sure** you get it.

You are paying for Social Security today – it could be your main source of income tomorrow, if you know what to do and when to do it. Don't miss out. Read this ***Guide*** – it's important.

Major Changes in 2009

Social Security

- The maximum earnings on which you pay Social Security taxes increases from $102,000 to **$106,800**. There is no earnings limit for the Medicare tax (page 6).
- The annual cost-of-living increase in benefits for December 2008, payable in January 2009, is **5.8%** (pages 12, 16, 36, 40, 43, 50, 60).
- The full retirement age (FRA) is 66 in 2009. The FRA for people reaching age 62 in 2009 is 66. Reduced benefits are still payable at age 62 (pages 17 and 62).
- If you turn 66 in 2009, the Delayed Retirement Credit (DRC) is **8%** for each full year up to age 70 that you do not receive your benefits at FRA or later (page 21).
- The earnings limit for beneficiaries under FRA increases from $13,560 to **$14,160** (page 26).
- If you attain FRA in 2009, the earnings limit is **$37,680** for the period before the month you attain FRA. There is no limit at FRA or later (page 26).
- In 2009, the maximum monthly benefit for retirees at FRA is **$2,323** (page 13).
- **Average monthly benefits** are:
  - ⇨ Retired workers $1,153
  - ⇨ Retired couples $1,876
  - ⇨ Disabled workers $1,064
  - ⇨ Young widow and two eligible children . . . $2,399
  - ⇨ Aged widow (no children) $1,112

Medicare

- The Part A deductible rises from $1,024 to **$1,068**. After 60 days in a hospital, you pay $267 per day for 30 days and then $534 per day for up to 60 lifetime reserve days.
- The Part B monthly premium remains the same at **$96.40**, and beneficiaries with higher incomes must pay additional income-related premiums.
- The Part B deductible remains the same at **$135**.
- The Part D prescription drug plan deductible increases from $275 to **$295**. The average monthly Part D premium is about $28.

2 Who Is Covered or Not Covered

Almost all employed and self-employed people are covered by Social Security and Medicare. Beginning in 1984, all members of Congress, the President and Vice President, cabinet heads, the Chief Justice of the United States, Associate Justices of the Supreme Court, other federal judges, and most political appointees were covered under the Social Security program.

The major exceptions are:

- **Most civilian federal employees hired before 1984** are covered by Medicare, but usually not by Social Security.
- **About 25% of state and local government employees** – Each state and local government unit with a pension plan decides whether to elect Social Security and Medicare coverage. Once elected, participation cannot be discontinued. Employees who are not covered by a retirement plan are covered by Social Security and Medicare. Employees hired after March 1986 pay the 1.45% Medicare tax even if they are not covered by Social Security.
- **Railroad workers** are covered under the federal Railroad Retirement system which is coordinated with Social Security.

Special provisions apply to:

- **Household workers** – In 2009, wages of **$1,700** or more per year paid to workers age 18 and over to work at an employer's home are subject to Social Security and Medicare payroll taxes. Only payments in money are subject to these taxes for this type of work – not material items such as meals. The law exempts household workers under 18 who are students or who have another occupation that is their principal one.
- **Family employment** – If you are self-employed and hire your spouse, parent, or child age 18 or older in the course of your business, it is covered employment.
- **Agricultural workers** – If you are paid $150 or more in a calendar year from one employer for farm work, or if that employer pays at least $2,500 to all employees for labor during the year, you are generally subject to payroll taxes, and your earnings will count in figuring your benefits.

3 Who Receives Benefits

Social Security pays benefits when you retire, become disabled, or die if eligibility requirements are met.Your spouse and children may also be eligible for benefits when you become entitled or die. The following table shows who most often receives Social Security benefits.

When You:	Benefits May Be Paid To: You	Your Spouse	Your Unmarried Child
Retire	■ Age 62 or over	■ Age 62 or over ■ Any age, if caring for your child who is under 16 or disabled before 22	■ Under 18, or up to 19 if in high school, or any age if disabled before 22
Become Disabled	■ Any age before full retirement age	■ Age 62 or over ■ Any age, if caring for your child who is under 16 or disabled before 22	■ Under 18, or up to 19 if in high school, or any age if disabled before 22
Die	—	■ Age 60 or over, or age 50-59 if disabled ■ Any age, if caring for your child who is under 16 or disabled before 22	■ Under 18, or up to 19 if in high school, or any age if disabled before 22

4 What It Costs

Who Pays?

You and your employer each pay taxes for Social Security and Medicare Hospital Insurance. Your employer pays half the cost – you get all the benefits. Self-employed people pay the combined employee/employer rate, but there are other tax provisions that help offset this (page 9).

How Much?

Tax Rates

Two separate payroll taxes are withheld from employees' wages:

- Social Security: This tax of **6.2%** pays for benefits to entitled beneficiaries. The 6.2% is made up of 5.3% for Old-Age and Survivors Insurance and 0.90% for Disability Insurance.
- Medicare (Hospital Insurance): This tax of **1.45%** pays for hospital benefits for Medicare beneficiaries. The Medicare tax started in 1966.

For most purposes, the two taxes are simply added together (7.65%) and treated as one amount – referred to as "payroll taxes" or **FICA** (Federal Insurance Contributions Act). The self-employed pay both halves (a total of 15.3%) and report these taxes on Schedule SE with their income tax returns.

Amount of Earnings Taxed

You do not pay any Social Security tax on earnings over the Maximum Taxable Amount – **$106,800** for 2009. Through 1990, the Social Security and Medicare maximum taxable amounts were the same. For three years, the maximum for Medicare was higher: $125,000 in 1991, $130,200 in 1992, and $135,000 in 1993. Now there is no earnings limit for Medicare.

The Maximum Taxable Amount for Social Security increases each year, based on the increase in the national average wage.

Social Security and Medicare Taxes

Years	Employer and Employee Tax Rate	Self-Employed Tax Rate	Maximum Earnings Taxed Annually (p.6)
1937-49	1.00%	not covered	$ 3,000
1950	1.50	not covered	3,000
1951-53	1.50	2.25%	3,600
1954	2.00	3.00	3,600
1955-56	2.00	3.00	4,200
1957-58	2.25	3.375	4,200
1959	2.50	3.75	4,800
1960-61	3.00	4.50	4,800
1962	3.125	4.70	4,800
1963-65	3.625	5.40	4,800
1966	4.20	6.15	6,600
1967	4.40	6.40	6,600
1968	4.40	6.40	7,800
1969-70	4.80	6.90	7,800
1971	5.20	7.50	7,800
1972	5.20	7.50	9,000
1973	5.85	8.00	10,800
1974	5.85	7.90	13,200
1975	5.85	7.90	14,100
1976	5.85	7.90	15,300
1977	5.85	7.90	16,500
1978	6.05	8.10	17,700
1979	6.13	8.10	22,900
1980	6.13	8.10	25,900
1981	6.65	9.30	29,700
1982	6.70	9.35	32,400
1983	6.70	9.35	35,700
1984	6.70	11.30	37,800
1985	7.05	11.80	39,600
1986	7.15	12.30	42,000
1987	7.15	12.30	43,800
1988	7.51	13.02	45,000
1989	7.51	13.02	48,000
1990	7.65	15.30	51,300
1991	7.65	15.30	53,400
1992	7.65	15.30	55,500
1993	7.65	15.30	57,600
1994	7.65	15.30	60,600
1995	7.65	15.30	61,200
1996	7.65	15.30	62,700
1997	7.65	15.30	65,400
1998	7.65	15.30	68,400
1999	7.65	15.30	72,600
2000	7.65	15.30	76,200
2001	7.65	15.30	80,400
2002	7.65	15.30	84,900
2003	7.65	15.30	87,000
2004	7.65	15.30	87,900
2005	7.65	15.30	90,000
2006	7.65	15.30	94,200
2007	7.65	15.30	97,500
2008	7.65	15.30	102,000
2009	**7.65**	**15.30**	**106,800**

Examples – Payroll Taxes

Suppose you earn $30,000 in 2009. How much tax will you and your employer pay?

	Tax Rate		Earnings		Amount of Tax
You	7.65%	x	$ 30,000	=	$ 2,295.00
Employer	7.65%	x	30,000	=	2,295.00
				Total	$ 4,590.00

Suppose you earn $150,000 in 2009.

	Tax Rate		Taxable Amount		Amount of Tax
You, Social Security	6.20%	x	$ 106,800	=	$ 6,621.60
You, Medicare	1.45%	x	150,000	=	2,175.00
					$ 8,796.60
Employer, Social Security	6.20%	x	$ 106,800	=	$ 6,621.60
Employer, Medicare	1.45%	x	150,000	=	2,175.00
					$ 8,796.60
				Total	$17,593.20

What Is Taxed

All salaries, wages, bonuses, and commissions that you receive for working are taxed and credited to your earnings record. The Social Security tax is withheld until the maximum taxable earnings ($106,800 in 2009) for the year is reached (see page 9 if you have more than one employer). The Medicare tax is withheld from every paycheck.

In addition to cash payments, taxable amounts include the value of meals and lodging, except when they are provided for the convenience of your employer. The first six months of sick pay are taxed. The cost of employer-provided group term life insurance coverage exceeding $50,000 is also taxed.

If you have questions about what is taxable, you should contact the IRS.

If you work while receiving benefits, you still pay Social Security and Medicare taxes regardless of your age. The additional earnings can result in increasing your benefit if the earnings are higher than those of an earlier year used in the previous calculation.

What Is Not Taxed

Payments from almost all employee benefit plans are excluded from payroll taxes. Also, items of little value provided by your employer are generally not taxed. For example, you aren't taxed for using the company parking lot or medical clinic or for discounts on company products.

Military Service

Military personnel on active duty have been covered by Social Security since 1957. They pay taxes on their cash compensation. Further, for service through 2001, they receive additional earnings credits of $100 for each $300 of actual earnings up to a maximum of $1,200 of additional credit per year. (These additional credits were $300 per quarter in 1957-77.) This reflects

the value of the food, housing, and clothing they receive. These additional credits are not always granted if military service is shorter than two years.

For service in 1951-56, military personnel received free earnings credits of $160 per month. These credits are not always granted if a federal pension is payable for the same period of service.

Credits that are based on other than actual pay received do not always appear on the Social Security earnings record, but they are used when a benefit application is made if the credits result in a larger benefit.

Tips

If you receive tips of $20 or more in a month, all of your cash tips are treated as regular wages.

Two or More Employers

If you work for more than one employer in a year, each one must withhold Social Security taxes on your earnings up to the Maximum Taxable Amount. If your total earnings from all employers are more than the maximum, then you will have paid too much Social Security tax.

What happens when you overpay? You can credit the overpayment against the federal income taxes that you owe for that year when you file your return, or you can claim a refund (page 57). Your employers do not get a credit or refund for their payments.

Self-Employed

If you are self-employed, you are covered by Social Security and Medicare. Ministers can opt out on grounds of conscience or religious principles at ordination.

You pay tax on only 92.35% of your net earnings from self-employment (if the result is at least $400). In general, net income is figured under the same rules as for income tax purposes.You determine your self-employment tax using IRS Form 1040 Schedule SE. You can deduct half of your self-employment tax from your gross income on IRS Form 1040.

If you and your spouse file a joint return, each one with self-employment income must also file a Schedule SE.

If you are self-employed in more than one business, the profits and losses of all businesses are added together to figure your net earnings.

The following rules apply if you are both self-employed and an employee:

- If you earn the Maximum Taxable Amount (or more) for Social Security as an employee, you do not pay any Social Security self-employment tax.
- If you earn less than the Maximum Taxable Amount as an employee, you pay Social Security self-employment tax on the amount of your self-employment earnings (after adjustment by the 92.35% factor) that brings you up to the maximum Social Security earnings base ($106,800 in 2009) when added to your wages as an employee.
- You pay Medicare taxes, on all of your earnings as an employee and from self-employment, after the 92.35% adjustment.

See page 7 for tax rates for the self-employed and maximum taxable amounts.

Benefits for the Self-Employed

Benefits for the self-employed are the same as for employees.

Federal Income Taxes on Benefits

Benefits are income tax free for the majority of beneficiaries and partially tax free for all beneficiaries. However, those with high total incomes must include up to 85% of their benefits as income for federal income tax purposes. Special step-rate "thresholds" determine the amount on which you may be taxed:

- Single person: $25,000 and $34,000
- Married couple filing a joint return: $32,000 and $44,000
- Married couple filing separate returns and living together at any time during the year have zero thresholds (if not living together, they are considered as a single person)

The Preliminary Adjusted Gross Income (earnings, pensions, dividends, and taxable interest from investments and other sources), *plus* interest on tax-exempt bonds, *plus* 50% of Social Security benefits is compared with these thresholds. Fifty percent of any excess over the first threshold, plus 35% of any excess over the second threshold is included in Adjusted Gross Income. This amount cannot exceed the smaller of (a) 85% of the benefits or (b) 50% of the benefits, plus 85% of any excess over the second threshold.

Example – Married Couple Filing Jointly

Suppose a couple had:

Preliminary Adjusted Gross Income	$50,000
Tax-free bond interest	2,000
50% of $20,000 in Social Security benefits	10,000
Modified Adjusted Gross Income	$62,000
Excess of income over first threshold ($32,000)	$30,000
Excess of income over second threshold ($44,000)	$18,000
Three calculations are done – you use the smallest amount	
(1) 50% of excess over 1st threshold, plus 35% of excess over 2nd threshold (.50 x $30,000 + .35 x $18,000)	$21,300
(2) 85% of benefits (.85 x $20,000)	**$17,000**
(3) 50% of benefits, plus 85% of excess over 2nd threshold (.50 x $20,000 + .85 x $18,000)	$25,300

The smallest of these three figures, $17,000, is added to the Preliminary Adjusted Gross Income of $50,000, making the Adjusted Gross Income $67,000.

Example – Single Person

Suppose a person had:

Preliminary Adjusted Gross Income	$10,000
Tax-free bond interest	2,000
50% of $10,000 in Social Security benefits	5,000
Modified Adjusted Gross Income (MAGI)	$17,000
Excess of MAGI over first threshold ($25,000)	$ 0

The Social Security benefit is not taxable in this case since the income of $17,000 is less than the base amount of $25,000 for a single person.

You can choose to have federal income taxes withheld from your monthly benefit. If you do, decide what percentage (7%, 10%, 15%, or 25%) you want withheld. Complete IRS Form W-4V and submit it to your local Social Security office.

Social Security and Medicare taxes are not deductible for federal income taxes for employees, but half are for the self-employed.

For more information on what is taxed, you should refer to IRS Publication 554, ***Tax Information for Older Americans***, and IRS Publication 915, ***Social Security Benefits and Equivalent Railroad Retirement Benefits***. You can use the worksheets in these publications to determine if your benefits are taxable. You can also contact the IRS at 1-800-829-3676, TTY 1-800-829-4059, or visit www.IRS.gov.

5 Retirement Benefits

All monthly benefits are based on your Primary Insurance Amount (PIA), which is the amount you would receive if you retired at your full retirement age (FRA). The FRA is 65 for people born before 1938, gradually increasing to 67 for those born in 1960 and later (pages 17 and 62). In 2009, the FRA is 66 (born January 2, 1943, through January 1, 1944 – see the note at the bottom of page 15 for people born on the first day of the month).

To calculate your PIA, your actual earnings are "indexed" to account for changes in average wages since the year your earnings were received. If you were born after January 1, 1929, you use your 35 highest years of "indexed" earnings to figure your benefit amount. These earnings are averaged and then used in the PIA formula (described on page 60). If you were born in 1947 or later, you can follow the step-by-step instructions for calculating your benefit on pages 15-16.

Easy-Reference Table

The following table shows approximate monthly benefits at FRA for you and your spouse. It is assumed that you have worked steadily since age 22 and received average pay raises throughout your working career. It is also assumed that your earnings, and the general level of wages and salaries in the country, will stay the same until you retire. This way, the table shows the value of your benefits in today's dollars.

Your spouse may, instead, qualify for a higher retirement benefit based on her or his own work record.

Starting with the year you turn 62, your benefits (and PIA) are increased by annual cost-of-living adjustments, whether or not you are retired. These **COLAs** are effective for December and are normally payable in January. They are included in the table for people who became 62 before 2009. No COLAs are projected in the table for December 2009 or later.

A **Maximum Family Benefit** applies if more than two people receive payments on the same Social Security record (page 25).

The table on page 13 shows only approximate retirement benefits. For a more accurate figure, follow the steps on pages 15-16. For an exact figure, you need your entire earnings history.

Monthly Benefits at Full Retirement Age (FRA)

Your Age in 2009	Who Receives Benefits	Your Present Annual Earnings					
		$20,000	$35,000	$50,000	$65,000	$80,000	$106,800 and Up
66	You	$915	$1,284	$1,653	$1,920	$2,082	$2,323
	Spouse	457	642	826	960	1,041	1,161
65	You	919	1,290	1,661	1,930	2,095	2,346
	Spouse	459	645	830	965	1,047	1,173
64	You	922	1,295	1,667	1,936	2,104	2,366
	Spouse	461	647	833	968	1,052	1,183
63	You	941	1,320	1,700	1,977	2,151	2,426
	Spouse	470	660	850	988	1,075	1,213
62	You	928	1,301	1,675	1,951	2,124	2,403
	Spouse	464	650	837	975	1,062	1,201
61	You	930	1,303	1,677	1,953	2,128	2,417
	Spouse	465	651	838	976	1,064	1,208
55	You	937	1,316	1,695	1,963	2,141	2,456
	Spouse	468	658	847	981	1,070	1,228
50	You	942	1,326	1,710	1,972	2,152	2,477
	Spouse	471	663	855	986	1,076	1,238
45	You	949	1,339	1,727	1,983	2,165	2,498
	Spouse	474	669	863	991	1,082	1,249
40	You	956	1,349	1,742	1,992	2,177	2,512
	Spouse	478	674	871	996	1,088	1,256
35	You	961	1,359	1,757	2,001	2,187	2,524
	Spouse	480	679	878	1,000	1,093	1,262
30	You	964	1,364	1,764	2,006	2,193	2,528
	Spouse	482	682	882	1,003	1,096	1,264

Benefits as a Percentage of Pay

The table on page 13 gives you a close estimate of your benefit at FRA in today's dollars. Inflation will cause the actual benefit amounts to be higher. The following table illustrates the benefit at FRA as a percentage of pay subject to the Social Security tax. It applies to anyone who has had steady earnings.

For example, if you earn $42,000 (the U.S. average earnings), you could expect a benefit of about 41% of your final level of pay. If no future inflation occurs, your annual benefit would be about $17,220 per year (41% of $42,000).

If you always had maximum taxable earnings, you can expect to receive about 28% of the portion of your pay subject to the Social Security tax. Replacement ratio refers to the percentage of your pay that is replaced by your Social Security retirement benefit.

Social Security Replacement Ratios for Retirement at FRA

Salary Level	Estimated Annual Salary	Replacement Ratio
Low	$19,000	56%
Medium	$42,000	41%
High	$67,000	34%
Maximum	$106,800	28%

Qualifications for Retirement Benefits

To qualify for retirement benefits, you must be fully insured; that is, you must have earned the required number of Social Security credits. Most workers need **40** credits to qualify for retirement benefits – or about 10 years of work.

Through 1977, you earned one credit for each calendar quarter in which you had wages or salary of at least $50 in covered employment. Since 1978, you earn credits on the basis of your annual earnings up to four credits in any year. In 2009, one credit is recorded for every **$1,090** you earn during the year, with four credits if you earn $4,360 or more. The amount increases each year based on wage inflation. (The amounts required to earn a credit in 1978-2009 are shown on the worksheet on page 64.)

How to Figure Your Retirement Benefit Amount

This section gives step-by-step instructions for calculating your **Primary Insurance Amount (PIA)**. All benefit amounts are derived from the PIA. Although Social Security sends annual statements which include benefit estimates, many people want to know how their benefit is calculated. For answers to the commonly asked questions about these annual statements, see pages 58-59.

Your retirement benefit is based on your PIA. To figure your PIA, you need to know your **Average Indexed Monthly Earnings (AIME)**, which is based on your lifetime earnings history. If you were born in 1947 or later, you can figure your AIME by following the steps on the next page. (If you were born before 1947, see page 61.) This will enable you to make a good estimate of your PIA.

The PIA is the amount payable to you at your FRA, which is 65 for people born before 1938. If you were born in 1938 or later, see page 17 for your FRA. If you start your benefit earlier, it will be less than the PIA (page 19). If you start your benefit later, it will be more than the PIA (page 21).

Note

For Social Security (and Medicare) purposes, you "reach an age" on the day before your birthday. Thus, if you were born on January 1, you are considered to have been born in the previous year.

How to figure your AIME and PIA:

1. In column C of the worksheet on page 64, enter your earnings for each year after 1950. You can get this information from the Social Security Administration. If your earnings for any year were more than the Maximum Taxable Amount, use the maximum only.

2. On the last two lines of column C, enter your expected earnings for 2009 and for all future years that you plan to work after 2009. Assume future earnings to be the same as 2009, so your benefit will be more closely related to the value of today's dollar. Remember that higher earnings resulting from the increase in the cost of living will be balanced by higher costs generally. If you are 62 in 2009 or earlier, do not consider earnings after 2008 when figuring the benefit payable in 2009.

3. Multiply the earnings for all years by the Index Factors in column D. The index factors make past earnings comparable to the level of earnings today. Enter the results of your multiplication in column E, Indexed Earnings.

4. If you were born after January 1, 1929, use the 35 highest years of earnings (after indexing) to figure your AIME. If you have fewer than 35 years of earnings, use zero for each of the remaining years.

5. On the worksheet, put check marks in column F by the years of highest indexed earnings shown in column E. Continue until you have checked 35 years. For the "2010+" box, write the number of years that it represents if this is a high year.

6. Add up all the indexed earnings in column E for the years you have checked in column F. (If the "2010+" line is to be used, multiply the number in column F by the earnings in column E and use the result in the addition.) $ _____

7. Divide the total earnings shown in step 6 by **420** (35 years x 12 months) to get your Average Indexed Monthly Earnings (AIME) (drop cents). $ _____

Now, to figure your PIA:

8. If you were born in 1947 or later, look at the table on pages 32-33. Find the number in the first column that is closest to your AIME. The numbers on this line are your approximate PIA and the other benefits that are available. Refer to the table on page 19 for the percent of the PIA payable at age 62.

   For a more precise benefit determination, apply the 2009 PIA benefit formula shown on page 60. The benefit amount is increased by the cost-of-living percentage effective for December of the year in which you reach age 62 and for all subsequent years, whether or not you have actually retired.

Full Retirement Age

Beginning with people born in 1938, the full retirement age (FRA) gradually increases from age 65, eventually reaching age 67 for people born in 1960 and later – see the following table. The benefit at the FRA is the Primary Insurance Amount.

The FRAs are shown for retired worker and spouse benefits. The FRAs for surviving spouse benefits are slightly different (for instance, 65 and 2 months for people born in 1940 and 67 for people born in 1962 or later) and are shown in the third column. A detailed table of FRAs, early-retirement percentages, and delayed-retirement percentages is on pages 62-63.

Full Retirement Age for Retired Worker and Spouse Benefits	Year of Birth	Full Retirement Age for Surviving Spouse Benefits
65	Before 1938	65
65 and 2 months	1938	65
65 and 4 months	1939	65
65 and 6 months	1940	65 and 2 months
65 and 8 months	1941	65 and 4 months
65 and 10 months	1942	65 and 6 months
66	1943	65 and 8 months
66	1944	65 and 10 months
66	1945-54	66
66 and 2 months	1955	66
66 and 4 months	1956	66
66 and 6 months	1957	66 and 2 months
66 and 8 months	1958	66 and 4 months
66 and 10 months	1959	66 and 6 months
67	1960	66 and 8 months
67	1961	66 and 10 months
67	1962 and after	67

Note

The FRA for Social Security is gradually rising to age 67, but the Medicare eligibility age of 65 is not scheduled to increase.

When to Begin Retirement Benefits

If you have not reached full retirement age (FRA) and you are still working with substantial earnings, it is usually not advantageous to begin benefits. The benefits might not be needed for current living expenses, and they will be permanently reduced (page 19), subject to the earnings limit (page 26), and more likely to be taxed (page 10). It would also cause a reduction in benefits to your widow or widower (page 47).

If you are retired before reaching FRA, you may need to begin receiving benefits in order to meet your current living expenses. Benefits will at least be partially tax-free and they may enable you to delay drawing income from assets that are growing on a tax-favored basis.

If you do not need Social Security to meet your current living expenses and you are in good health, you might decide to delay entitlement until you reach FRA or later and receive larger benefits. The federal government guarantees your benefits for life, they increase with automatic annual cost-of-living increases, and the widow(er) benefit payable to your surviving spouse will be higher. A higher Social Security benefit that is payable for life and protected against inflation can help offset the risks you may have in the rest of your personal investment portfolio. These risks include inflation, poor investment performance, market downturns, and outliving your income-producing assets.

The following sections explain in detail, with examples, how early you can start your benefits, how they are reduced if you start them before you reach your full retirement age (FRA), and how they are increased by delaying them until FRA or later.

Each person needs to consider these options based on his or her own needs and circumstances, including health and life expectancy. There isn't one choice that is best for everybody.

Early Retirement

If you begin entitlement to retirement benefits at your FRA (page 17), the benefit is 100% of your PIA. However, if you are fully insured, you can claim permanently reduced benefits as early as the first full month that you are age 62 (page 21).

You will receive more monthly benefit payments because they will begin sooner. Accordingly, the benefit is reduced. This way, the total benefits you receive will have about the same value assuming that you live to an average age.

Your benefit does not increase to the full PIA when you reach FRA. However, if your benefit is suspended for any month because of the earnings limit (page 26), this reduction will be adjusted when you reach FRA. The permanent reduction will no longer include months that your benefit was suspended, in whole or in part, because of your earnings.

How much your benefit is reduced for early retirement depends on how many months younger you are than your FRA when your benefit entitlement begins. For example, if you were born in 1943-54, your FRA is 66 and your reduced benefit at 62 will be 75% of your PIA. If you were born after 1959, your FRA is 67 and your reduced benefit at 62 will be 70% of your PIA. A detailed table of FRAs, early-retirement percentages, and delayed-retirement percentages is on pages 62-63.

Examples – Reduced Retirement Benefits for Workers

Year of Birth	You will receive this percent of your PIA if you retire at age: 62	63	64	65	66
Before 1938	80.0%	86.6%	93.3%	100.0%	–
1938	79.1	85.5	92.2	98.8	–
1939	78.3	84.4	91.1	97.7	–
1940	77.5	83.3	90.0	96.6	–
1941	76.6	82.2	88.8	95.5	–
1942	75.8	81.1	87.7	94.4	–
1943-1954	75.0	80.0	86.6	93.3	100.0%
1955	74.1	79.1	85.5	92.2	98.8
1956	73.3	78.3	84.4	91.1	97.7
1957	72.5	77.5	83.3	90.0	96.6
1958	71.6	76.6	82.2	88.8	95.5
1959	70.8	75.8	81.1	87.7	94.4
1960 and Later	70.0	75.0	80.0	86.6	93.3

Note: Decimals are rounded down.

You may retire at ages between the ones shown. The reduction factor applied to the PIA is **5/9 of 1%** for each of the first 36 months that entitlement is prior to the FRA, plus **5/12 of 1%** for each such month in excess of 36.

These reduction factors are for workers only. Different reduction factors are used for spouses (page 61).

Examples – Retire at Age 62 or the full retirement age (FRA)?
The following examples illustrate the difference between electing permanently reduced retirement benefits at 62 or waiting until your FRA. For ease of illustration, the examples do not project future COLAs.

Example #1: – FRA: 66

Year of birth: 1943-1954
Full Retirement Age (FRA): 66
Primary Insurance Amount (PIA): $1,000
Monthly benefit at 66: $1,000
Monthly benefit at 62 (48 months before FRA): .... $750 (75% of the PIA)
$750 x 48 months = $36,000 initial advantage at age 66.
$36,000 ÷ $250 (permanent reduction) = 144 months or 12 years.
The initial advantage continues until age 78 (66 + 12), which is the break-even age for total lifetime benefits.

Example #2: – FRA: 67

Year of birth: ..... 1960+
FRA: 67
PIA: $1,000
Monthly benefit at FRA: $1,000
Monthly benefit at 62 (60 months before FRA): .... $700 (70% of the PIA)
$700 x 60 months = $42,000 initial advantage at FRA.
$42,000 ÷ $300 (permanent reduction) = 140 months or 11 years and 8 months.
The initial advantage continues until age 78 and 8 months (67 + 11 years and 8 months), which is the break-even age for total lifetime benefits.

The First Full Month that You are Age 62 (Earliest Month of Eligibility)

For Social Security and Medicare purposes, you "reach an age" on the day before your birthday.

- If your birthday is on the first of the month, you attain age 62 on the last day of the preceding month. The month of your birthday is the first full month that you are 62.
- If your birthday is on the second of the month, you attain your age on the first, and you are 62 for the full month.
- If your birthday is after the second of the month, the following month is the first full month that you are 62.

Delayed Retirement Credits

If you are eligible for retirement benefits, you can choose not to receive them and earn delayed retirement credits (**DRCs**) for any month from full retirement age (FRA) (page 17) up to age 70. DRCs increase the benefit for the retired worker but not for the spouse. However, DRCs earned by the worker do increase the benefit payable to the widow(er). The table below shows the scheduled DRC rates. A detailed table of FRAs, early-retirement percentages, and delayed-retirement percentages is on pages 62-63.

Year of Birth	DRC Per Year (prorated for months)
1937-38	6.5%
1939-40	7.0%
1941-42	7.5%
1943 and Later	8.0%

If you continue working after you attain FRA, you most likely will want to take advantage of the Senior Citizens' Freedom to Work Act of 2000 (page 26) and collect benefits. A small percentage of people, however, may choose to have their benefits suspended up to as late as age 70 in order to earn DRCs. There are at least three reasons why you might choose to delay benefits and earn DRCs.

1. Your income from earnings while working may be adequate, and the DRCs will increase your benefit when the income from Social Security is needed more.
2. More of your benefits may be subject to income taxes if they are received while you still have income from working.
3. The DRCs will increase the benefit payable to your widow(er).

If you have a spouse or child entitled to benefits on your earnings record, you can choose to suspend your own benefit in order to earn DRCs without affecting the benefit payable to your spouse or child. If your spouse survives you, the widow(er) benefit is still increased to reflect the DRCs.

Examples – Retire at FRA or Age 70?

The following examples show comparisons between starting retirement benefits at full retirement age (FRA) versus waiting until age 70 and earning DRCs. For ease of illustration, annual COLAs, which are credited in either event, are not projected.

Mr. and Mrs.Wilson attain FRA in 2009. Mr.Wilson has always been a maximum earner and is eligible for $2,323 per month. He does not plan to retire. He can start benefits at FRA or wait up to age 70 to earn DRCs.

The calculation below illustrates that retiring at FRA will keep Mr.Wilson ahead in total benefits until age 82 and 6 months. The average life expectancy for a person age 65 in 2009 is about age 82 for a man and 85 for a woman.

If Mr.Wilson earns the full 32% increase for DRCs and dies before Mrs.Wilson, she will be converted from a spouse's benefit of $1,161 to a widow's benefit of $3,066. If he starts benefits at FRA, her widow's benefit will be $2,323.

Beneficiaries with an FRA ranging from 66 to 67 (people born in 1943 and later) who start their benefits at FRA instead of waiting until age 70, will be ahead in total benefits received until age 82½. This is because there is a shorter period to accrue benefits or earn DRCs even though the annual DRC rate is 8%.

Example #1 – FRA 66 in 2009

Monthly benefit at FRA: $2,323
Monthly benefit at 70: $3,066
(4 years x 8% DRCs added = 32% increase of $743)
$2,323 x 48 months = $111,504 accrued benefits at age 70
$111,504 ÷ $743 = 150 months or 12½ years which is age 82½

The following calculations illustrate this for a person with an FRA of 67.

Example #2 – FRA 67

Monthly benefit at 67: $2,323
Monthly benefit at 70: $2,881
(3 years x 8% DRCs added = 24% increase of $558)
$2,323 x 36 months = $83,628 accrued benefits at age 70
$83,628 ÷ $558 = 150 months or 12½ years which is age 82½

Family Benefits

When you become entitled to Social Security retirement benefits, your spouse and children may also be eligible for benefits on your earnings record. You must begin your benefit before they can collect benefits on your record. Their benefits are in addition to yours and are figured as a percentage of your PIA (not your benefit amount) subject to the family maximum (150-188% of your PIA) – see page 25. The family maximum can reduce all benefits except the worker's benefit. After the application of the maximum, your retirement benefit will be lower than your PIA if it begins before FRA, and it will be larger if you do not claim benefits until after FRA.

Who Receives Benefits When You Retire

Benefits Paid To:	Percent of Your PIA Payable*:
Spouse at full retirement age (FRA)	50%
Spouse at age 62	32½-35%**
Spouse at any age with eligible child who is under age 16 or disabled	50%
Each eligible child	50%

*Benefits may be limited by the family maximum (page 25).
**Percent gradually decreases as the FRA rises.

Spouse

To qualify, your spouse must have been married to you for at least one year or be the parent of your child. A spouse who first becomes entitled to benefits at FRA or later may receive an amount equal to 50% of your **PIA** (not necessarily your benefit amount). At age 62, your spouse may receive permanently reduced benefits. As the FRA gradually increases to 67, the percentage of the worker's PIA payable to the spouse at age 62 will gradually decrease from 35% for people age 62 in 2009 to 32½% for people attaining age 62 in 2022 and later. This reduction does not affect the amount of a future widow(er) benefit.

If your spouse is also insured for a retirement benefit, that benefit will be paid, plus a spouse's benefit limited to the excess (if any) by which 50% of your PIA exceeds her or his own PIA. This excess is reduced if the spouse's benefit starts before the FRA. The spouse's benefit is then added to her or his own retirement benefit. Social Security does this automatically – it is not a matter of choice when reduced benefits are claimed.

A **spouse who is caring for your eligible child** is entitled to an amount equal to 50% of your PIA. The eligible child must be under age 16 (or any age, if disabled before age 22). In this case, no reduction is made because of the spouse's age.

Your **unmarried divorced spouse** may be entitled to benefits starting at age 62 if married to you for at least 10 years if you are at least age 62 (whether retired or not) or are receiving Social Security disability benefits. This benefit is not payable if your divorced spouse is remarried unless the marriage is to a person receiving benefits as a widow, widower, parent, or disabled adult child. If you are 62 but not retired, then the divorce must have occurred at least two years ago before your divorced spouse

can receive the benefit. If you were entitled before the divorce, there is no waiting period.

Examples – Family Benefits

Example #1 – Eligible Spouse Who is Not Insured for Own Retirement Benefit

Kathy is age 62 in 2009. She is not insured for retirement benefits on her own work record. Her husband, Dan, is receiving retirement benefits. His PIA is $1,400.

Kathy's fully reduced spouse's benefit at age 62 is $490 ($1,400 x .35). If she waits until her FRA (66 in this example), she would receive a monthly spouse's benefit of $700 (½ of Dan's PIA), plus the intervening COLAs.

Example #2 – Eligible Spouse Who is also Insured for a Retirement Benefit

Kathy is insured for a retirement benefit. Her PIA is $500. Again, she is age 62 in 2009 and her husband, Dan, is receiving retirement benefits and has a PIA of $1,400.

Kathy's PIA of $500 is reduced 25% for an age-62 retirement benefit of $375. Her spouse's benefit is $140, calculated as follows:

$700	(½ of Dan's PIA)
- 500	(Kathy's PIA)
$200	(excess)
x .700	
$140	

Kathy receives a total of $515 per month ($375 + $140).

Consider this same example, except that Dan didn't become entitled to retirement benefits until Kathy had already attained her full retirement age (66 in this case). Kathy would be eligible for an unreduced spouse's benefit of $200 and would receive a total of $575 per month ($375 reduced retirement benefit plus $200 unreduced spouse's benefit), plus the intervening COLAs.

Example #3 – Spouse's Own PIA Exceeds ½ of the PIA of the Other Spouse

Kathy's own PIA is $1,000. Since this is more than $700 (one half of Dan's PIA of $1,400), she is entitled only to her own retirement benefit and not a spouse's benefit. If she becomes entitled at age 62 (48 months before her FRA), her benefit will be $750 ($1,000 x .75). If she waits until her FRA (66) to become entitled, her retirement benefit will be $1,000 – the PIA (plus the intervening COLAs). Also, there is no family maximum in this case since each spouse receives a retirement benefit on her or his own Social Security earnings record.

Example #4 – Eligible Unmarried Divorced Spouse Who is Not Insured for Own Retirement Benefit

Dan's divorced spouse, Kim, is unmarried and age 62 in 2009. She is not insured for a Social Security benefit. If Dan is age 62 or older, whether retired or not, Kim can receive a divorced spouse's benefit based on his work record. Kim's age 62 benefit is $490 (reduced for early retirement). Kim's benefit would not count towards the family maximum (page 25).

Eligible Child

An eligible child includes your natural child, adopted child, stepchild (who must be dependent on you for at least 50% support), and dependent grandchild (if the parents are deceased or disabled). The child must be unmarried and any one of the following:

- Under age 18
- Up to 19, if in high school
- Any age, if disabled before 22

Each child is entitled to 50% of the parent's PIA – based on the PIA of either parent, whichever is greater, but not both.

Maximum Family Benefit

The amount of benefits that members of one family may receive on the earnings record of one worker is limited. The table on pages 32-33 shows examples of Maximum Family Benefits. (The calculation rules are on page 61.)

The family maximum applies before any reduction for early retirement or any increase for late retirement. The family maximum does not apply if both the husband and wife receive a retirement benefit based only on their own work records (see preceding example #3).

If the sum of the individual benefits based on your earnings record is more than the maximum, the benefits of the family members will be reduced proportionately to bring the total within the limit. Your worker's benefit will not be reduced. An example on page 51 shows how this applies to survivor benefits.

The amount payable to a divorced spouse or surviving-divorced spouse is not included in the family maximum, except if the surviving-divorced spouse qualifies only on the basis of caring for a child of the worker.

The Retirement Earnings Limit

The Senior Citizens' Freedom to Work Act of 2000 eliminated the retirement earnings test for people who have attained full retirement age (FRA) – see page 17.

A limit on earnings from current work continues to apply to beneficiaries under FRA. The earnings limit is a retirement test and is a separate issue from income taxes (page 10). If you earn more than the exempt amount (see below), your benefits and your family members' benefits that are based on your work record will be reduced. If a family member earns more than the exempt amount, only that person's benefit is reduced.

If you apply for benefits before attaining FRA and your benefits are withheld because of the earnings test, you will receive a letter three months before your FRA notifying you that your benefits will automatically be reinstated at your FRA. (See page 19 about when the reduction factor can be refigured at FRA, and pages 21-22 about delaying entitlement beyond FRA.)

Foreign Work Test

Until FRA, work activity over 45 hours a month outside the U.S. that is not covered by Social Security will cause suspension of benefits. The regular test applies to covered employment.

Retirement Test in 2009

If you are under FRA throughout 2009, you can earn **$14,160**. If your earnings exceed this, then $1 of benefits is withheld for every $2 you earn above $14,160. If your earnings exceed this limit, some benefits may still be payable.

Examples – Under FRA Throughout 2009

Example #1

Ms. Johnson applies for benefits in January 2009. March 2009 is the first full month that she is age 62. She works throughout the year earning $23,160. Her monthly Social Security benefit is $800.

($23,160 – $14,160) ÷ 2 = $4,500

In this example, $4,500 of benefits are withheld for the five months of March through July ($800 x 5 = $4,000), and a partial benefit of $300 ($800 – [$4,500 – $4,000]) is payable for August. Her monthly benefit of $800 is payable for September through December.

Example #2

The following table shows examples of Social Security retirement benefits for people under FRA throughout 2009 who continue to work and collect Social Security retirement benefits. It is assumed that you are receiving a benefit in January. In all the examples, if you earn $14,160 or less, there is no reduction in your annual retirement benefit. For annual salaries above $14,160, the reduction of $1 for every $2 earned over the limit is applied.

Monthly Social Security Benefit	Annual Earnings	Annual Benefits Paid in 2009
$ 900	$14,160 or less	$10,800.00
$ 900	$20,000	$ 7,880.00
$ 900	$30,000	$ 2,880.00
$1,100	$14,160 or less	$13,200.00
$1,100	$20,000	$10,280.00
$1,100	$30,000	$ 5,280.00
$1,500	$14,160 or less	$18,000.00
$1,500	$20,000	$15,080.00
$1,500	$30,000	$10,080.00

If you attain FRA in 2009, you can earn **$37,680** in the period before the month in which you attain FRA with no reduction in benefits. If your earnings exceed this, then $1 in benefits is withheld for every $3 you earn above $37,680.

Regardless of your earnings, benefits are payable for the month that you attain FRA, and later.

If you apply for benefits after attaining your FRA, your application can be retroactive for up to six months but not for any month before FRA. In the small percentage of cases where someone chooses not to receive benefits at FRA in order to earn delayed retirement credits (DRCs) (page 21), it is still advisable to apply no later than FRA + 6 months. Benefits can be suspended if requested and reinstated at any time. At age 70, when DRCs can no longer be earned, benefits will automatically be reinstated.

Examples – Attaining FRA in 2009

The following two examples show when benefits can start for a working beneficiary attaining FRA in 2009.

Example #1:

Mr. Smith applied for benefits in January 2009 and attains FRA in July 2009. He is working throughout 2009, earning $81,360. His earnings in the period January through June are $40,680.

($40,680 – $37,680) ÷ 3 = $1,000

In this example, $1,000 of benefits are withheld for the period January through June. If his monthly benefit is over $1,000, then a partial benefit is payable for January, and the full benefit would begin with February.

Example #2:

Mr. Smith's earnings for 2009 are $200,000. He earns $100,000 in the period January through June. As in Example 1, he applied for benefits in January and attains FRA in July. His monthly benefit amount is $2,175.

($100,000 – $37,680) ÷ 3 = $20,733

In this example, the $20,733 exceeds the $13,050 of benefits for the period January through June. His benefits begin with July because regardless of earnings, benefits are payable for the month that FRA is attained and after.

In both of these examples, Mr. Smith applied for benefits in January. If he had waited until July to apply for benefits, then no benefits would have been payable before July, because an application for retirement benefits cannot be retroactive for any month prior to FRA.

If Mr. Smith is self-employed, his net profit in the year he attains FRA is prorated for purposes of the retirement earnings test. For example, if he has net profit of $120,000, it is prorated at $10,000 per month. In the above examples, his earnings would be $60,000 for the period January through June. In some cases, self-employment income can be attributed to specific months, such as director fees paid for attending board meetings.

Monthly test for beneficiaries under FRA. In the first year, if there is a month in which you are entitled to benefits and do not earn more than 1/12 of the annual earnings limit, a monthly test is used if it gives you better results than the annual test just described. During that year, beginning with your month of entitlement, you can receive your benefit for any month that you do not earn more than 1/12 of the earnings limit. If you earn more than 1/12 of the annual limit, benefits are not payable for that month unless they are payable under the regular annual test.

If you are self-employed, a special alternative test applies in the first year you receive benefits and have, at the same time, a month when you do not perform substantial services in self-employment. In general, fewer than 15 hours of services in a month is not considered substantial while more than 45 hours of services in a month is considered substantial. Between those guidelines, your services are considered substantial if you are in a highly skilled occupation.

Example – Monthly Test in First Year of Retirement

Bruce Jones retires at age 62 on July 31, 2009. He will make $45,000 through July. He takes a part-time job starting in August that pays $500 per month. Even though his earnings for the year exceed the 2009 earnings limit ($14,160), he will receive his full Social Security benefit for August through December due to the special test for the first year you retire. This is because his earnings in those months are less than 1/12 of the annual limit or $1,180 for people under their full retirement age throughout 2009. If Mr. Jones earns more than $1,180 a month in August through December, he will not receive a benefit for that month unless they are payable under the regular annual test. In 2010 and after, only the annual earnings limit will apply to him.

Special Payments After Retirement

After you retire, you may receive special payments for work you did before you started getting Social Security benefits. Usually, these special payments will not affect your Social Security benefit if they are compensation for work done before you retired. These amounts may be shown on your W-2 in the box labeled "Nonqualified Plan."

Special payments that are not counted towards the earnings limit include:

- Pensions and retirement pay
- Severance payments due to retirement
- 401(k) plan and IRA withdrawals
- Employee contributions pursuant to a salary reduction under a Section 125 cafeteria plan to fund a qualified benefit
- Dividends and interest from investments (unless in the brokerage business) and capital gains
- Rental income unless you are in the real estate business
- Sick pay paid more than six months after the month last worked
- Workers' compensation and unemployment insurance
- Contest or lottery winnings
- Bonuses
- Vacation pay
- Payments on account of retirement
- Deferred compensation reported on a W-2 form for one year that was earned in a previous year

Earnings from self-employment are generally counted when received, rather than when earned. However, earnings from work performed before retirement do not count toward the earnings limit (except for income earned in the year of retirement will count toward the annual limit).

Example – Special Payment of Accumulated Vacation Pay

Mr. Jones retired at age 63 and began receiving Social Security retirement benefits in November 2008. In January 2009, he received a check from his employer for $16,000 for accumulated vacation pay he earned prior to November 2008. Since this payment exceeds the earnings limit ($14,160 in 2009), he will need to contact SSA and explain that this is a special payment earned prior to his retirement. Usually his explanation would be sufficient for the SSA, but they could request further explanation or documentation from his employer. The SSA will not count the payment toward the earnings limit for 2009, and he will continue to receive his full Social Security retirement benefit.

In this same example, if Mr. Jones did not contact SSA, they would reduce his benefit based on the earnings limitation for people under the full retirement age (page 16) by $920 ([$16,000 – $14,160] ÷ 2).

Total Family Benefits

Benefit reductions because of one beneficiary's excess earnings are not made if total benefits payable to the family would not be reduced. This occurs when the total family benefits are limited by the Maximum Family Benefit (page 25).

When You Receive Social Security Benefits

Benefits are paid the month after the month for which the benefit is due. For example, you receive the benefit for January in February.

Most new beneficiaries are paid on either the second, third, or fourth Wednesday of each month based on the birthday of the insured worker – see the chart below. Beneficiaries are encouraged to sign up for direct deposit of benefits.

If the insured worker's birthday is:	Then payment will be on the:
On the 1st through the 10th of the month	Second Wednesday of the month
On the 11th through the 20th of the month	Third Wednesday of the month
After the 20th of the month	Fourth Wednesday of the month

Pensions Based on Noncovered Employment

Most pensions do not reduce Social Security benefits. However, a different method of computing the retirement or disability (but not survivor) PIA can apply to people receiving a pension based on their own earnings not covered by Social Security. This is the Windfall Elimination Provision (WEP). It applies to some government, nonprofit organization, and foreign pensions.

WEP closes a loophole that enabled people who worked in both covered and noncovered employment from appearing to be low-wage workers and receiving a higher benefit. The PIA formula is weighted in favor of the career low-level earner because such a person is more dependent on Social Security for retirement income needs than higher-income people.

Exceptions to the WEP apply to:

- People age 62 before 1986
- People eligible for such pensions before 1986
- Disabled-worker beneficiaries disabled before 1986
- People with at least 30 years of "substantial" Social Security coverage, see page 34
- Federal employees who were mandatorily covered by Social Security on January 1, 1984
- People employed on December 31, 1983, by nonprofit organizations that were not covered by Social Security at any time before 1984
- Ministerial pensions under denominational plans for services not covered by Social Security
- Military reservist pensions

If the WEP is applicable, the 90% factor in the PIA formula (page 60, first bullet) is reduced to 40%. However, for people attaining age 62 in 1990 or later who have more than 20 years of substantial earnings

6 2009 Benefit Table

Monthly Social Security Benefits for People Attaining Age 62 or Becoming Disabled Before Age 62 in 2009, and for Survivors of People Dying Before Age 62 in 2009[1]

(If your exact AIME is not shown, your benefit will be between the benefits for the AIMEs just above and below your AIME.)

	Benefits for Workers and Their Families					Benefits for Survivors of Deceased Workers					
			Benefits for Family Members								
			Spouse[4] Not Caring for Child			Spouse[4] not Caring for Child					
Average Indexed Monthly Earnings (AIME)	FRA[2] Retirement Benefit or Disability Benefit[3]	Age-62 Retirement Benefit	FRA[2]	Age 62	Child or Spouse Caring for Child	FRA[5]	Age 60 or Age 50-59 and Disabled	One Child	Spouse[4] and One Child; or Two Children	Maximum Family Benefit for Retirement and Survivors[6]	Maximum Family Benefit for Disability
	100% of PIA	**75% of PIA**	**50% of PIA**	**35% of PIA**	**50% of PIA**	**100% of PIA**	**71½% of PIA**	**75% of PIA**	**150% of PIA**	**150-188% of PIA**	**100-150% of PIA**
$3,200	$1,455	$1,091	$727	$509	$727	$1,455	$1,040	$1,091	$2,182	$2,684	$2,183
3,400	1,519	1,139	759	531	759	1,519	1,086	1,139	2,278	2,770	2,279
3,600	1,583	1,187	791	554	791	1,583	1,132	1,187	2,374	2,856	2,375
3,800	1,647	1,235	823	576	823	1,647	1,177	1,235	2,470	2,942	2,471
4,000	1,711	1,283	855	599	855	1,711	1,223	1,283	2,566	3,027	2,567
4,200	1,775	1,331	887	621	887	1,775	1,269	1,331	2,662	3,113	2,663
4,400	1,839	1,379	919	643	919	1,839	1,315	1,379	2,758	3,219	2,759
4,600	1,883	1,412	941	659	941	1,883	1,346	1,412	2,824	3,297	2,825
4,800	1,913	1,435	956	669	956	1,913	1,368	1,435	2,870	3,349	2,870
5,000	1,943	1,457	971	680	971	1,943	1,389	1,457	2,914	3,402	2,915
5,200	1,973	1,480	986	690	986	1,973	1,411	1,480	2,960	3,454	2,960
5,400	2,003	1,502	1,001	701	1,001	2,003	1,432	1,502	3,004	3,507	3,005
5,600	2,033	1,525	1,016	711	1,016	2,033	1,454	1,525	3,050	3,559	3,050
5,800	2,063	1,547	1,031	722	1,031	2,063	1,475	1,547	3,094	3,612	3,095
6,000	2,093	1,570	1,046	732	1,046	2,093	1,496	1,570	3,140	3,664	3,140
6,200	2,123	1,592	1,061	743	1,061	2,123	1,518	1,592	3,184	3,717	3,185
6,400	2,153	1,615	1,076	753	1,076	2,153	1,539	1,615	3,230	3,769	3,230
6,600	2,183	1,637	1,091	764	1,091	2,183	1,561	1,637	3,274	3,822	3,275
6,800	2,213	1,660	1,106	774	1,106	2,213	1,582	1,660	3,320	3,874	3,320
7,000	2,243	1,682	1,121	785	1,121	2,243	1,604	1,682	3,364	3,927	3,365
7,400	2,303	1,727	1,151	806	1,151	2,303	1,647	1,727	3,454	4,032	3,455
7,685[7]	2,346	1,759	1,173	821	1,173	2,346	1,677	1,759	3,518	4,106	3,519

All numbers are rounded to the next lower whole dollar, in accordance with law. The Primary Insurance Amount (PIA) formula, the Maximum Family Benefit (MFB) formula, and the reduction factors for early retirement are shown on pages 60-61.

1 For people who were 62 before 2009, see page 61. Benefits are increased annually for changes in the cost of living in and after the first year of eligibility (e.g., becoming age 62).

2 The full retirement age (FRA) is 66 for people attaining age 62 in 2009.

3 The disability benefit for a worker is the PIA, unless the worker was already receiving a benefit reduced for early retirement.

4 Divorced spouses who qualify receive the same benefits as spouses. Divorced spouse benefits are not usually subject to the family maximum.

5 A surviving spouse's benefit at FRA is the PIA, unless the worker was receiving a benefit reduced for early retirement. In that case, the benefit will be the reduced amount that the worker was receiving, but not less than 82-1/2% of the PIA.

6 Any reduction for retirement before age 65 for workers, spouses, and surviving spouses is deducted.

7 The maximum AIME for people reaching age 62 in 2009 is generally $7,685, resulting in an age-62 benefit of $1,759 and FRA benefit of $2,346, assuming no earnings at age 62 or older. (For people reaching FRA in 2009, a different table is used to obtain the monthly benefit amounts, and the maximum FRA benefit is $2,323. See table on page 13.)

Note: Under some circumstances (generally, for younger, highly paid workers), people who become disabled or die before age 62 can have AIMEs higher than $7,685. For example, at the extreme, a worker dying at age 29 or under in 2009 can have an AIME as high as $8,749 and a PIA of $2,505.

covered by Social Security, the 40% factor is increased. It is 45% if you have 21 years of substantial covered earnings, 50% if 22 years, and so on, until reaching 90% with 30 years. The following table lists the substantial earnings thresholds.

A guarantee protects workers with small pensions. The reduction cannot exceed one-half of that part of the pension based on noncovered earnings after 1956.

If you will get a pension based on non-covered employment, you may receive an overstated benefit estimate from Social Security because the pension is not considered for the estimate.

Year	Substantial Earnings	Year	Substantial Earnings
1951-54	$ 900	1989	$ 8,925
1955-58	1,050	1990	9,525
1959-65	1,200	1991	9,900
1966-67	1,650	1992	10,350
1968-71	1,950	1993	10,725
1972	2,250	1994	11,250
1973	2,700	1995	11,325
1974	3,300	1996	11,625
1975	3,525	1997	12,150
1976	3,825	1998	12,675
1977	4,125	1999	13,425
1978	4,425	2000	14,175
1979	4,725	2001	14,925
1980	5,100	2002	15,750
1981	5,550	2003	16,125
1982	6,075	2004	16,275
1983	6,675	2005	16,725
1984	7,050	2006	17,475
1985	7,425	2007	18,150
1986	7,875	2008	18,975
1987	8,175	2009	19,800
1988	8,400		

Government Pension Offset

If you worked for a federal, state, or local government and you were not covered by Social Security throughout your last 60 months of employment, your potential Social Security benefit as a **spouse, widow, or widower** may be reduced. You can receive only the amount of the Social Security benefit that exceeds two-thirds of your government pension. This can reduce the Social Security benefit to zero. This offset does not affect Medicare eligibility.

Government Pension Offset (GPO) does not apply to:

- State or local employees whose government pension is based on a job where you were paying Social Security taxes
  - on the last day of employment and your last day was before July 1, 2004
  - during the last five years of employment and your last day of employment was July 1, 2004, or later. (Under certain conditions, fewer than five years may be required for people whose last day of employment falls between July 1, 2004, and March 2, 2009.)
- People entitled to Social Security benefits before December 1977.
- All women (except divorced wives and widows who had fewer than 20 years of marriage to the worker), and men who were dependent on their wives, who received or were eligible to receive government pensions any time during December 1977 through November 1982.
- People eligible to receive government pensions during December 1982 through June 1983 who were dependent on their spouses.

The GPO was enacted to treat retired government employees similarly to other retirees who worked in Social Security **covered** employment. If a government employee's work had been subject to Social Security taxes, any Social Security benefit payable as a spouse, widow, or widower would have been reduced by the person's own Social Security retirement benefit. Without the GPO, a person would get their full government pension based on non-covered Social Security employment and an unreduced Social Security benefit.

Example – GPO

Anna, age 66, receives a monthly teacher's pension of $900 from a state where public school teachers are not covered by Social Security. Her husband, Phillip, receives a $1,000 Social Security retirement benefit based on his PIA. Anna is past her FRA so she is eligible to receive 50% of his PIA as a spouse benefit or $500 a month. (Without the GPO, she would have received $900 + $500 for a total of $1,400.)

However, two-thirds of her pension is $600 and is more than her $500 spouse benefit – so her spouse benefit is reduced to zero (pages 23-24).

In this same example, suppose Phillip dies. Anna would be entitled to a widow's benefit of $1,000, but it would be offset by two-thirds of her pension. She would receive a widow benefit of $400 ($1,000 – $600). See Chapter 8.

7 Disability Benefits

If you are insured under Social Security and are severely disabled more than six months before you reach full retirement age (FRA), you can receive a monthly disability benefit equal to your PIA at the time that disability occurs. If you become disabled after receiving a reduced retirement benefit, your disability benefit will be reduced to take into account the number of months you received the retirement benefit. If you are receiving a disability benefit when you reach FRA, you are automatically converted to a retirement benefit at the same amount.

Easy-Reference Table

The following table shows approximate monthly benefits for you and your family if you become disabled in 2009. The figures assume you have worked steadily since age 22 and received average pay raises each year. By following the steps on pages 39-40, you can make a more accurate calculation.

Like other Social Security benefits, disability benefits go up each year with cost-of-living increases and may be subject to income taxes (page 10).

Monthly Benefits at Disability

(1) Your benefit
(2) Child; spouse at full retirement age (FRA) or above; or spouse at any age if caring for your child who is under age 16 or disabled
(3) Family's maximum benefit

Your Age in 2009	Who Receives Benefits	Your Present Annual Earnings					
		$20,000	$35,000	$50,000	$65,000	$80,000	$106,800 and Up
65	(1)	$916	$1,285	$1,653	$1,925	$2,086	$2,327
	(2)	388	642	826	962	1,043	1,163
	(3)	1,304	1,927	2,479	2,887	3,129	3,490
60	(1)	924	1,293	1,663	1,944	2,110	2,366
	(2)	384	646	831	972	1,055	1,183
	(3)	1,308	1,939	2,494	2,916	3,165	3,549
55	(1)	924	1,293	1,663	1,944	2,117	2,411
	(2)	385	646	831	972	1,058	1,205
	(3)	1,309	1,939	2,494	2,916	3,175	3,616
50	(1)	924	1,294	1,663	1,944	2,117	2,426
	(2)	385	647	831	972	1,058	1,213
	(3)	1,309	1,941	2,494	2,916	3,175	3,639
40	(1)	924	1,294	1,665	1,945	2,118	2,439
	(2)	386	647	832	972	1,059	1,219
	(3)	1,310	1,941	2,497	2,917	3,177	3,658
30	(1)	926	1,297	1,668	1,947	2,121	2,449
	(2)	388	648	834	973	1,060	1,224
	(3)	1,314	1,945	2,502	2,920	3,181	3,673

Qualifications for Disability Benefits

To qualify for disability benefits, you must be so severely impaired, physically or mentally, that you cannot perform any substantial gainful work. The impairment must be expected to last at least 12 months or result in death. The determination is based on medical evidence. Disability benefits are not payable to people disabled solely due to alcoholism or drug addiction.

In addition, you must have a minimum number of credits of Social Security coverage (as defined on page 15) to be insured. Also, you must have earned some of these credits in recent years. The recent-years requirement does not apply to the blind.

The following table summarizes the requirements for anyone becoming disabled in 2009.

Year of Birth	Credits Required To Qualify for Disability Benefits in 2009
1944-47	40, with 20 earned in last 10 years
1948	39, with 20 earned in last 10 years
1949	38, with 20 earned in last 10 years
1950	37, with 20 earned in last 10 years
1951	36, with 20 earned in last 10 years
1952	35, with 20 earned in last 10 years
1953	34, with 20 earned in last 10 years
1954	33, with 20 earned in last 10 years
1955	32, with 20 earned in last 10 years
1956	31, with 20 earned in last 10 years
1957	30, with 20 earned in last 10 years
1958	29, with 20 earned in last 10 years
1959	28, with 20 earned in last 10 years
1960	27, with 20 earned in last 10 years
1961	26, with 20 earned in last 10 years
1962	25, with 20 earned in last 10 years
1963	24, with 20 earned in last 10 years
1964	23, with 20 earned in last 10 years
1965	22, with 20 earned in last 10 years
1966	21, with 20 earned in last 10 years
1967-78*	20 earned in last 10 years
1979*	19 earned after age 21
1980*	17 earned after age 21
1981*	15 earned after age 21
1982*	13 earned after age 21
1983*	11 earned after age 21
1984*	9 earned after age 21
1985*	7 earned after age 21
After 1985	6 earned in last 3 years

* The figure shown is the maximum number of credits required. Depending on month of birth and month of disability, the number can be up to 3 fewer, with a minimum of 6 credits.

Waiting Period

Disability benefits begin after a waiting period of five full calendar months. To qualify for benefits, you must have been disabled throughout this period. For example, if you become disabled on January 15, you could not receive benefits for January or the next five months, February through June. The first benefit would be for July, payable in August. If you previously received disability benefits and the disability ended less than five years before the present disability began, you will not have a second waiting period.

Disability benefits can be paid retroactively for up to 12 months, not including the waiting period. If a disabled worker dies before filing a claim, the family can apply for the disability benefits within three months of the worker's death.

Workers' Compensation

The law provides for a possible offset of disability benefits when you have been awarded workers' compensation or certain other disability benefits under federal, state, or local law (except benefits from the Department of Veterans Affairs). The total of all such disability benefits may not exceed 80% of your recent earnings before your disability began. Veteran's benefits based on financial need and benefits based on government employment covered by Social Security do not cause any reduction.

Family Benefits

If you become disabled, your spouse and children can receive benefits under the same rules that would apply if you retired (pages 23-25).

The following table shows the percentage of your PIA payable to your family members if you qualify for disability benefits.

Who Receives Benefits if You Become Disabled in 2009

Benefits Paid To:	Percent of Your PIA Payable*:
Spouse at FRA	50%
Spouse at age 62	35%
Spouse, with child who is under age 16 or disabled	50%
Each eligible child	50%

*Benefits may be limited by the family maximum.

Maximum Family Benefit

The Maximum Family Benefit (page 61), including your benefit, is the lesser of 85% of your Average Indexed Monthly Earnings (AIME) or 150% of your PIA. The 85% of AIME calculation only applies to low-wage earners. The disability family maximum is lower than for retirement and survivor benefits (pages 25 and 48).

Work Incentives

Rehabilitation

When you apply for disability benefits, you may be referred to the appropriate state agency for rehabilitation services.

Trial Work

If you are receiving disability benefits, you are encouraged to go back to work if you are able.

Benefits can continue throughout a nine-month (not necessarily consecutive) trial work period, plus an additional three-month grace period. In 2009, a month in which earnings exceed **$700** generally counts as a month of trial work. After the three-month grace period, benefits are suspended if earnings are considered to be substantial gainful activity (SGA). In 2009, the SGA level is **$980** a month or $1,640 for the blind. Benefits can be reinstated during a 36-month extended period of eligibility for any month that earnings do not exceed the SGA level. Also, Medicare coverage can continue for at least **93** months after completion of the trial work period.

The earnings limit (pages 26-30) applies individually to each family member who is working and receiving benefits on the worker's earnings record.

How to Figure Your Disability Benefit Amount

Although Social Security sends an annual statement which includes a disability benefit estimate, many people want to know how their benefit is calculated. For answers to the commonly asked questions about these annual statements, see pages 58-59.

Your disability benefit equals your PIA at the time that disability occurs. To figure your PIA, you need to know your earnings history because your PIA is based on your Average Indexed Monthly Earnings (AIME). By following the steps below, you can figure your own AIME. This will give you a good estimate of your PIA if you become disabled in 2009. The following instructions do not apply to people born before 1947.

How to figure your AIME and PIA:

1. In column C of the worksheet on page 64, enter your earnings for each year through 2008. You can get your earnings history from Social Security. If your earnings for any year were more than the Maximum Taxable Amount, use the maximum only.
2. Multiply earnings for all years by the factors in column D. These index factors make past earnings comparable to earnings today. Enter the results of your multiplication in column E, Indexed Earnings.
3. Not all indexed earnings are used to figure your AIME. The following table shows how many years of earnings to use if you become disabled in 2009. If you were born on January 1, refer to the year prior to the year of your birth. If you are disabled after age 24 but before age 37,

you may reduce the number of years shown by one for each year in which a child of yours (or your spouse) under age 3 lived in your home and you were not employed (up to a maximum of 2 years if you are age 26-31 and 1 year if you are age 25 or age 32-36).

Circle the number of years you must use.

Number of Years Used To Figure AIME

Year of Birth	Number of Years	Year of Birth	Number of Years
1947	35	1967	16
1948	34	1968	16
1949	33	1969	15
1950	32	1970	14
1951	31	1971	13
1952	30	1972	12
1953	29	1973	12
1954	28	1974	11
1955	27	1975	10
1956	26	1976	9
1957	25	1977	8
1958	24	1978	8
1959	23	1979	7
1960	22	1980	6
1961	21	1981	5
1962	20	1982	4
1963	20	1983	4
1964	19	1984	3
1965	18	After 1984	2
1966	17		

4. On the worksheet, put check marks in column F by the years of your highest indexed earnings shown in column E. Continue until you have checked the number of years you must use from step 3.

5. Add up all the indexed earnings in column E for the years you have checked in column F.
$

6. Multiply the number of years in step 3 by 12 to get months.

7. Divide the total earnings shown in step 5 by the months shown in step 6 to get your AIME (drop cents).
$

Now, to figure your PIA:

8. If you become disabled in 2009, look at the table on pages 32-33. Find your AIME from step 7 as closely as possible in the first column of the table. The numbers on this line show your approximate PIA and the disability benefits that are available. For a more precise benefit determination, apply the 2009 benefit formula shown on page 60.

The benefit amount is increased by the cost-of-living percentage effective for December each year and payable in January.

A different method of computing the PIA in connection with disability benefits (producing lower amounts) applies to beneficiaries receiving a pension based on their earnings from noncovered employment (page 31).

Example – Disability Benefits
Jim and His Family

Jim is disabled at age 45 in 2009. His PIA is $1,300. He has a wife, Donna, age 45; a son, Steve, age 12; and a daughter, Tara, age 8.

Jim's Qualifications For Disability Benefits

When Jim became disabled, he met the disability insured status requirements. He was disabled on February 15 and had to wait five full calendar months – March through July – until his entitlement began. His first payment, which was for August, came in September.

Jim is entitled to his PIA of $1,300. Each of the three members of Jim's family would be entitled to $650, which is 50% of Jim's PIA. This adds up to a total of $2,950, which is over the Maximum Family Benefit of $1,950. Jim can receive his full benefit of $1,300, but each family member receives $216 (rounded).

Benefits Payable

Jim	$1,300
Donna	216
Steve	216
Tara	216
Total	$1,948

Jim Entitled to Medicare

Two years later, Jim is still disabled and becomes entitled to Medicare in August. Jim's family is not eligible for Medicare, however.

Steve Graduates from High School

Steve's benefit stops when he reaches age 18 and completes high school. Because the family benefit is still 150% of the PIA, the total remains the same. Jim receives $1,300, Donna receives $325, and Tara receives $325.

Tara, Age 16

Jim's youngest child, Tara, is 16. Donna's benefit stops because she is no longer caring for a child under age 16.

If Tara is still in high school, her benefit of $650 can continue until age 19; otherwise, it stops at age 18.

Jim and Donna, Age 62

At 62, Donna is again eligible for benefits as Jim's wife. She is entitled to an amount equal to 50% of Jim's PIA when she is 67, which is the full retirement age (FRA) for workers and spouses born in 1964. However, because she is receiving the benefit at 62, she receives 32½% of his PIA, or $422.

Jim continues to receive his PIA of $1,300 as a disability benefit. Their total income is $1,722.

Jim and Donna at FRA, Age 67

Jim's disability benefit stops when he reaches (FRA), but his retirement benefit begins automatically. It is the same amount – $1,300.

If Donna had waited until age 67 to receive her benefit, she would have been entitled to the full 50% of Jim's PIA, or $650.

Their total retirement benefit would then have been:

Jim	$1,300
Donna	650
Total retirement income	$1,950

Note: All benefits would be increased annually with COLAs.

8 Survivor Benefits

Survivor benefits are based on the insured worker's PIA on the date of death. The Social Security payroll taxes you pay now go toward providing survivor benefits for your family. Statistics show that for a 20-year-old today, 1 in 8 will die before reaching age 67, so survivor benefits will help protect the worker's family from financial hardship.

Benefits for the Month of Death

When a beneficiary dies, no benefit is due for the month of death. However, if there is a survivor eligible for monthly survivor benefits, entitlement can begin with the month of the worker's death.

Examples – Benefits for the Month of Death

Example #1 – Death on the Last Day of the Month

Mr. Barnes was entitled to monthly benefits. He died on January 31. No benefit is payable for January. The benefit for a month is paid in the following month. If the Social Security Administration (SSA) has not processed the notice of death in time to stop the payment in February (for January), then the payment must be returned. If he had direct deposit of benefits, the Treasury Department will obtain repayment directly from the financial institution.

Example #2 – Death on the First Day of the Month

Mr. Barnes dies on February 1. Since he lived throughout the entire month of January, the payment in February (for January) is payable to the survivor (generally the spouse or children), or if none, then to the estate.

Easy-Reference Table

The table on page 44 shows approximate monthly survivor benefits payable to your family in 2009. The figures assume that you have worked steadily since age 22 and received average pay raises throughout your working career. By following the steps described on pages 49-50, you can make a more accurate calculation.

Like other Social Security benefits, survivor benefits go up each year with cost-of-living increases and may be subject to income taxes (page 10).

Monthly Survivor Benefits in 2009

(1) Widow(er) at full retirement age (FRA) ranging from age 65 to 67 (page 62)
(2) Widow(er) at age 60
(3) Child or widow(er) under age 61 with eligible child who is under age 16 or disabled
(4) Family's maximum benefit

Your Age in 2009	Who Receives Benefits	Your Present Annual Earnings					
		$20,000	$35,000	$50,000	$65,000	$80,000	$106,800 and Up
66	(1)	$ 915	$1,284	$1,653	$1,920	$2,082	$2,323
	(2)	654	918	1,182	1,373	1,488	1,661
	(3)	686	963	1,240	1,440	1,561	1,742
	(4)	1,373	2,356	2,935	3,361	3,643	4,066
60	(1)	924	1,293	1,663	1,944	2,110	2,366
	(2)	660	924	1,189	1,390	1,508	1,691
	(3)	693	970	1,247	1,458	1,582	1,774
	(4)	1,386	2,359	2,963	3,403	3,694	4,141
55	(1)	924	1,293	1,663	1,944	2,117	2,411
	(2)	660	925	1,189	1,390	1,514	1,724
	(3)	693	970	1,247	1,458	1,588	1,808
	(4)	1,386	2,360	2,963	3,403	3,706	4,220
50	(1)	924	1,294	1,663	1,944	2,117	2,426
	(2)	660	925	1,189	1,390	1,514	1,734
	(3)	693	970	1,247	1,458	1,588	1,819
	(4)	1,386	2,361	2,963	3,403	3,707	4,246
40	(1)	924	1,295	1,665	1,945	2,119	2,445
	(2)	661	926	1,190	1,391	1,515	1,748
	(3)	693	971	1,249	1,459	1,589	1,833
	(4)	1,387	2,363	2,966	3,405	3,709	4,279
30	(1)	930	1,304	1,678	1,953	2,128	2,478
	(2)	664	932	1,200	1,396	1,522	1,771
	(3)	697	978	1,258	1,465	1,596	1,858
	(4)	1,395	2,388	2,983	3,419	3,726	4,337

Qualifications for Survivor Benefits

For your survivors to receive monthly benefits or the lump-sum death payment, you must be either one of the following:

- Currently insured (provides eligibility for some benefits, but not all)
- Fully insured (provides eligibility for all benefits)

Currently Insured

To be currently insured, you need to have earned six credits during the 13 calendar quarters ending with the calendar quarter of death.

If you are currently insured, the lump-sum death benefit may be payable, and the following survivors qualify for monthly benefits:

- Eligible children under age 18 (up to 19 if in high school) or any age if disabled before 22
- A widow(er) or surviving-divorced spouse caring for an eligible child who is under age 16 or disabled before age 22

Fully Insured

The following table shows how many credits you need to be fully insured. Next to your year of birth are the credits you must have if death occurs in 2009. For example, if you were born in 1949, you need 38 credits to be fully insured. If you were born on January 1, refer to the year prior to the year of your birth.

Credits Required To Be Fully Insured if Death Occurs in 2009

Year of Birth	Credits	Year of Birth	Credits
1939-47	40	1965	22
1948	39	1966	21
1949	38	1967	20
1950	37	1968	19
1951	36	1969	18
1952	35	1970	17
1953	34	1971	16
1954	33	1972	15
1955	32	1973	14
1956	31	1974	13
1957	30	1975	12
1958	29	1976	11
1959	28	1977	10
1960	27	1978	9
1961	26	1979	8
1962	25	1980	7
1963	24	After 1980	6
1964	23		

Lump-Sum Death Benefit

When death occurs, if you are fully or currently insured, a lump sum of **$255** is payable to your widow(er) who was living with you at the time of death. If you don't have a spouse living with you, then payment may be made to a widow(er) or children who are immediately eligible for monthly benefits based on your earnings record. Otherwise, the benefit is not payable.

Family Benefits

The following table shows examples of surviving family members who may receive monthly benefits based on your PIA. It also shows the percentage of your PIA payable to each beneficiary. For the reduction percentage, see page 61.

Who Receives Survivor Benefits

Benefits Paid To:	Percent of Your PIA Payable*:
Widow(er) at FRA**	100.0%
Widow(er) at age 60	71.5
Disabled widow(er) at age 50-59	71.5
Widow(er) under age 61 with eligible child who is under age 16 or disabled	75.0
Each eligible child	75.0

* Benefits may be limited by the family maximum (page 25).

** As the full retirement age (FRA) for workers rises (page 17), this age will rise too (but starting two years later); also, see the following discussion if the deceased worker received reduced retirement benefits.

Eligibility

Your widow(er) qualifies for survivor benefits if:

- Married to you for at least nine months before death occurs (if death is due to an accident or military duty, no length of marriage is required)
- The parent of your child (natural or adopted)

Widow(er), Age 60 or Over

If death occurs before becoming entitled to retirement benefits, or if you become entitled after attaining full retirement age (FRA), the widow(er) benefit is 100% of your PIA if your spouse has reached FRA. If your spouse is younger, a reduction applies (page 61). At age 60, the benefit is 71½% of your PIA.

If you retired before your FRA and had a reduced benefit, your spouse will receive the smaller of (1) the amount of your PIA, with a reduction applied if your spouse is under the FRA at entitlement (page 61) or (2) the reduced benefit that you were receiving (but in no case less than 82½% of your PIA). If you became entitled after your FRA, your spouse will receive the same benefit that you did, including any delayed retirement credits that you earned, but reduced if your spouse is under the FRA at entitlement.

Your **surviving-divorced spouse** qualifies for a benefit if married to you for at least 10 years. The benefit is the same as that payable to a widow(er).

If your widow(er) or surviving-divorced spouse remarries before age 60, benefits are not payable unless (and until) the subsequent marriage ends. Remarriage after attaining age 60 does not prevent or stop entitlement to benefits.

Disabled Widow(er)

Your disabled widow(er) age 50-59 or disabled-divorced spouse (if the marriage lasted at least 10 years) may qualify for benefits. The onset of disability must occur within seven years of the worker's death or the widow(er)'s entitlement to survivor benefits based on caring for a child. The benefit is 71½% of your PIA. Remarriage after age 50 and after the date disability occurs does not affect entitlement.

Widow(er) Caring for a Child

Your widow(er) or divorced spouse caring for an eligible child who is under age 16 or disabled before age 22 receives 75% of your PIA. The benefit stops when the youngest child reaches age 16 unless caring for a child who was disabled before age 22.Your divorced spouse is not required to have been married to you for a specified time for this type of benefit. Remarriage usually terminates the benefit of the widow(er) – but not the child's benefit.

Eligible Child

An eligible child (page 25) qualifies for a benefit of 75% of the deceased parent's PIA. If both parents are deceased, the child receives whichever benefit is larger.

Dependent Parents

Your parent age 62 or over may qualify for survivor benefits if, at the time death occurs, he or she was receiving at least one-half support from you. The benefit is 82½% of your PIA. If both parents are entitled to benefits, each receives 75%.

Maximum Family Benefit

The Maximum Family Benefit (page 25) applies.

Non-Duplication of Benefits

If you are eligible for more than one Social Security benefit, you, in effect, can receive no more than the larger of the two benefits. For example, a widow may receive a retirement benefit based on her own work record or a widow's benefit, but not both in full at the same time.

Earnings Limit

Survivors who are under FRA are subject to the earnings limit applicable to those receiving retirement benefits (pages 26-30). If one survivor earns more than the exempt amount, this does not reduce the benefits of the other survivors and, in some cases, will not reduce the total family benefits. This can apply in cases of young widow(er)s with eligible children (see example on page 51). (Note: special rules apply to survivors entitled on the basis of disability – see page 39.)

Government Pension Offset

The survivor benefit may be reduced (page 35) for a widow(er) who is entitled to a government pension based on his or her own employment not covered by Social Security.

How to Figure Survivor Benefits

Although Social Security sends annual statements which include survivor benefit estimates, many people want to know how these benefits are calculated. For answers to the commonly asked questions about these annual statements, see pages 58-59.

Benefits to your survivors are based on your PIA at the time of death. To figure your PIA, you need to know your earnings history because your PIA is based on your Average Indexed Monthly Earnings (AIME). By following the steps below, you can figure your own AIME. This will give you a good estimate of your PIA if death occurs in 2009. The following instructions do not apply to people born before 1947.

How to figure your AIME and PIA:

1. In column C of the worksheet on page 64, enter your earnings for each year, including 2009. If your earnings for any year were more than the Maximum Taxable Amount, use the maximum only.
2. Multiply earnings for all years by the factors in column D. These index factors make past earnings comparable to earnings today. Enter the results of your multiplication in column E, Indexed Earnings.
3. Not all indexed earnings are used to figure your AIME. The following table shows how many years of earnings to use for death in 2009. If you were born on January 1, refer to the year prior to the year of your birth.

   Circle the number of years you must use.

Number of Years Used To Figure AIME

Year of Birth	Number of Years	Year of Birth	Number of Years
1947	35	1964	18
1948	34	1965	17
1949	33	1966	16
1950	32	1967	15
1951	31	1968	14
1952	30	1969	13
1953	29	1970	12
1954	28	1971	11
1955	27	1972	10
1956	26	1973	9
1957	25	1974	8
1958	24	1975	7
1959	23	1976	6
1960	22	1977	5
1961	21	1978	4
1962	20	1979	3
1963	19	After 1979	2

4. On the worksheet, put check marks in column F by the years of your highest indexed earnings shown in column E. Continue until you have checked the number of years you must use from step 3.
5. Add up all the indexed earnings in column E for the years you have checked in column F.
   $ _____
6. Multiply the number of years in step 3 by 12 to get months.
   _____
7. Divide the total earnings shown in step 5 by the months shown in step 6 to get your AIME (drop cents).
   $ _____

Now, to figure your PIA:

8. If death occurs in 2009, look at the table on pages 32-33. Find your AIME from step 7 as closely as possible in the first column of the table. The numbers on this line are your approximate PIA and the survivor benefits that are available. For a more precise benefit determination, apply the 2009 benefit formula shown on page 60. The benefit amount is increased by the cost-of-living percentage effective for December each year and payable in January.

Example – Survivor Benefits

In 2009, John dies at age 45, survived by a widow and three children. Each survivor is entitled to a monthly benefit based on John's PIA of $1,500. (**Note:** All benefits will increase with annual COLAs.)

Survivor	Qualification for Benefit	Percent of John's PIA	Unadjusted Monthly Benefits	Adjusted Monthly Benefits
Mary	Wife, age 45, caring for child under age 16	75	$1,125	$ 686
Bob	Age 18, in high school	75	1,125	686
Suzanne	Age 15	75	1,125	686
Bruce	Age 11	75	1,125	686
		Total	$4,500	$2,744

The Maximum Family Benefit is $2,744. This means that everyone's benefit must be reduced proportionately so that the total doesn't exceed that amount.

One Year Later, Mary Returns to Full-Time Employment

Mary's benefit is suspended because of high earnings. She will continue to have high earnings until after Bruce (the youngest child) attains age 16.

However, the rest of the family continues to receive the same total benefit. From the total original entitlement of $4,500, subtract $1,125 for Mary, leaving $3,375. That's still larger than the Maximum Family Benefit of $2,744. The total stays the same, but each person's benefit will now be for a different amount.

Readjusted Benefits

Bob	$ 914
Suzanne	914
Bruce	914
Total	$2,742

Bob Graduates from High School

When Bob graduates from high school at age 18, he is no longer eligible for benefits. His monthly benefit of $914 stops. The other two children continue to be entitled. They each receive $1,125 (75% of the PIA) for a total of $2,250.

Suzanne, Age 18, Graduates from High School

Suzanne's benefit stops. However, Bruce remains entitled to his benefit of $1,125 until he is 18 (or 19 if still in high school).

Mary at Age 60

Mary can claim a surviving spouse's benefit of $1,072 a month for the rest of her life. That amount is 71½% of John's PIA of $1,500. Or, she can wait until she reaches her full retirement age (FRA) of 67. If she works after her benefits begin, she is subject to the earnings limit until her FRA (pages 26-30).

Mary at FRA (Age 67)

If Mary waits until FRA to receive benefits, she will get 100% of John's PIA of $1,500 a month.

9 Medicare

Medicare is a federal health insurance program for people age 65 and over and many disabled people. Beneficiaries can receive healthcare services under the Original Medicare Plan or in some areas, a Medicare Advantage plan (MA) – formerly Medicare+Choice. MA plans include managed care plans, Private Fee-For-Service plans, and Medical Savings Accounts.

Medicare has four parts:

- Part A (Hospital Insurance) pays some of the costs of hospitalization, limited skilled nursing home care, and hospice care.
- Part B (Medical Insurance) primarily covers physicians' services, most outpatient hospital services, and certain related services. Long-term nursing home care is not currently covered.
- Part C (Medicare Advantage Plans) include managed care plans, Private Fee-for-Service plans, and Medical Savings Accounts. These plans were formerly called Medicare+Choice.
- Part D (Outpatient Prescription Drug Plan) is voluntary prescription drug coverage.

The Original Medicare Plan is Parts A and B and is available anywhere in the U.S. Under Original Medicare, you can go to any doctor or hospital that accepts Medicare patients. You or your other insurance pay the deductibles and coinsurance. Original Medicare generally does not cover prescription drug costs. The majority of beneficiaries are in Original Medicare. Most of them have supplemental coverage from an employer or union-sponsored retiree plan, from one of the standard Medigap Plans, or TRICARE for military retirees.

Many Medicare beneficiaries opt to receive healthcare services from a Medicare Advantage or MA plan, Part C, instead of Original Medicare. These plans are not available in all areas. You must be enrolled in Medicare Parts A and B before enrolling in an MA plan. Most plans require members to visit hospitals, doctors, and other healthcare providers that are approved by the plan. Many plans also offer additional benefits, such as prescription drugs, usually for an additional premium. Out-of-pocket expenses are often lower and more predictable under managed care.

Under Part D, insurance companies and other private businesses are approved by Medicare to sell insurance coverage for outpatient prescription drugs. Only beneficiaries covered by Part A or Part B can enroll.

Who pays for Medicare? Part A is financed by payroll taxes and is usually premium free. A portion of Part B and Part D is financed by monthly premiums (generally, **$96.40** for Part B and about **$28** for Part D in 2009, with higher-income beneficiaries paying higher Part B premiums), and the rest is financed from general federal revenues. Certain deductibles, coinsurance, and copayments may also apply.

Eligibility and Enrollment

You are eligible for Medicare on the first day of the month that you turn 65. This age is not scheduled to rise as the full retirement age for Social Security benefits gradually rises to 67. Medicare is also available if you have been entitled to Social Security disability benefits for two years (waived if you have amyotrophic lateral sclerosis) or if you have end-stage renal disease (kidney failure). A spouse or child with kidney failure also may qualify.

If you are receiving Social Security benefits in the month you attain age 65, you are automatically enrolled in Medicare. You will receive your Medicare card three months before you attain age 65.

Your spouse can also qualify for premium-free Medicare Part A at age 65 based on your work record if you are eligible for monthly Social Security benefits, even if you are only age 62-64, or if you are receiving Social Security disability benefits. Almost everyone in the U.S. can enroll in Part B at age 65.

When you enroll in Part A of Medicare, you automatically enroll in Part B. You can decline Part B but you must tell the Social Security Administration that you don't want it.

If you have coverage under a plan sponsored by an employer with 20 or more employees based on your or your spouse's current employment, you will usually want to wait until you retire to apply for Part B. This is because the employer plan may be the primary payer, and Medicare Part B may offer little, if any, additional coverage to justify paying the Part B premium. Also, the six-month open-enrollment period to enroll in a Medigap plan begins with the first month you are age 65 or over and enrolled in Part B.

If you enroll in Part B at the earliest opportunity, you pay the standard monthly premium of **$96.40** in 2009. These premiums are deducted from your Social Security benefits, if you get them. In 2009, beneficiaries with higher incomes will pay additional income-related Part B premiums (page 54). The high-income increase applies to about 5% of Part B enrollees.

If you enroll late, or if you drop out and enroll again, you may have to pay higher premiums. You will pay 10% more for each full 12 months that you could have been, but were not, enrolled in Part B. You don't include any months when you weren't enrolled in Part B while covered by an employer-sponsored group insurance plan based on your or your spouse's current employment.

If you enroll in Part D, the Medicare standard prescription drug plan, at your earliest opportunity, you pay premiums of about **$28** per month in 2009. It is expected that these premiums will be adjusted every January. You can join a drug plan within three months of becoming eligible for Medicare. If you want to change plans or enroll for the first time (you didn't enroll when first eligible), you can do this from November 15 to December 31 each year with coverage effective January 1.

If you do not enroll in a Medicare prescription drug plan during your initial enrollment opportunity and do not have other "creditable" drug coverage continuously in place from that time until you do enroll, you may have to pay higher premiums. You will pay at least 1% more for each

month that you did not have other creditable coverage and could have been, but were not, enrolled in a Medicare drug plan. Other drug coverage is creditable if it provides a level of coverage at least as good as the standard Part D coverage.

Coordination of benefits. If you are eligible for Medicare at age 65 or older and are working for an employer with 20 or more employees, you are entitled to the same employer-sponsored healthcare benefits offered to younger employees. If you have such coverage and are working, Medicare is the "secondary payer," paying only for some charges not covered by your employer-provided plan. These rules apply to your spouse at age 65 or older if you are working for such an employer, regardless of your age.

These rules also apply to any disabled Medicare beneficiary (under age 65) who is covered by an employer-provided healthcare plan as a currently working employee or as a family member of an employee. However, this applies only if an employer with 100 or more employees sponsors the plan. Special rules apply to people with end-stage renal disease.

Medicare is also the secondary payer if medical costs can be paid under any liability policy, such as auto insurance.

2009 Figures

The following table is a summary of the new 2009 Medicare figures.

Medicare		2009
Part A inpatient deductible per benefit period		$1,068
Part A daily coinsurance 61st through 90th days		$267
Part A daily coinsurance for up to 60 "lifetime reserve" days		$534
Part A daily coinsurance 21st through 100th days in a skilled nursing facility		$133.50
Part B annual deductible (remains the same as 2008)		$135
Part B (Medical Insurance) standard monthly premium*		
File an Individual Tax Return	File a Joint Tax Return	
$0 to $85,000 annual income	$0 to $170,000 annual income	$ 96.40
over $85,000 to $107,000	over $170,000 to $214,000	$134.90
over $107,000 to $160,000	over $214,000 to $320,000	$192.70
over $160,000 to $213,000	over $320,000 to $426,000	$250.50
over $213,000	over $426,000	$308.30
Part D (Prescription Drug Coverage) estimated monthly premium		$28.00
Part D deductible		$295
Part D initial benefit limit		$2,700
Part D catastrophic out-of-pocket threshold		$4,350

*Income brackets for beneficiaries based on their 2007 federal income tax return filing status and adjusted gross income.

10 Appendix

Things to Do

You should do several things to make sure you get all your benefits. Some of these things should be done now and others later.

Remember: **The Social Security Administration (SSA)** will not start your benefits until you file an application. If you think you may be eligible for benefits, file an application. If you are late in filing an application, you may not be paid all of the benefits that you could have received. Here are some suggested actions and timelines:

Before you file for benefits

- Because you do not know when disability or death claims might have to be filed, why not get papers ready now? Make sure you have a certified copy of your birth certificate. Social Security cannot use ordinary photocopies. If you are filing for benefits based on your spouse's or former spouse's earnings record, you may need a certified copy of your marriage certificate. If you are applying for divorced spouse benefits, you will need your divorce decree.

When is the best time to call SSA's 800#

- The SSA phone lines are busiest early in the week and early in the month. Representatives are available from 7 a.m. to 7 p.m. on business days. If you have a touch-tone phone, recorded information and services are available 24 hours a day, including weekends and holidays.

Before you retire

- Contact SSA for information in the January before you intend to retire, but not earlier than three months before you turn 62.

How to apply for benefits

- When you are ready to apply for retirement, disability, or spouse's benefits, you can do one of the following:
  - Apply online at **www.socialsecurity.gov/applytoretire**.
  - Call SSA's national toll-free number **1-800-772-1213**. For the deaf or hard of hearing, you can call TTY **1-800-325-0778**.
  - Call or visit your local Social Security office. You can find your local office at www.socialsecurity.gov/locator or in the blue pages of your telephone book.

What documents you need to file for benefits

- A list of documents you may need to apply for Social Security benefits follows. The SSA will let you know if there are other documents needed for your claim. The SSA needs original documents or copies certified by the issuing agency. The SSA will make a copy and return the originals to you.
  - Social Security number
  - birth certificate
  - W-2 form(s) or self-employment tax return from last year
  - spouse's birth certificate and Social Security number (if applying for benefits on your work record)
  - marriage certificate (if signing up on a spouse's record)
  - military discharge papers if you had military service
  - children's birth certificates and Social Security numbers (if they are applying)
  - proof of U.S. citizenship or lawful alien status if you (or a family member who is applying) were not born in the U.S.
  - the name of your bank and your account number so your benefits can be directly deposited into your account

After you retire

- After you start receiving benefits, if you are under your full retirement age and your earnings exceed the earnings limit (pages 26-30), call Social Security. Having benefits withheld is better than paying back benefits that should not have been paid to you.

After disability

- File your application promptly so it can be processed during the waiting period. Earnings from work must be reported if you are receiving disability benefits.

After death

- You should file for survivor benefits as soon as possible after death occurs. You should also contact SSA to stop any benefits the person was receiving prior to death.

When you receive your annual Social Security Statement

- Each year, the Social Security Administration sends you a Statement about three months before your birthday if you are a worker or former worker age 25 or older and are not currently receiving benefits. You should check the information carefully and report any incorrect information to the SSA as quickly as possible – see pages 58-59 for common questions and answers about this Statement.

When you file your federal income tax return

- If you have had more than one job and earned more than the maximum for Social Security for that year, you probably have paid excess payroll taxes. You should claim a credit for these excess taxes when you file your federal income tax return.

When you think a decision by SSA is wrong

- If you believe that a decision by SSA is wrong, you can appeal within 60 days from the date you receive the information. Your request must be in writing and filed with any Social Security office.

When your child leaves your care

- If you are receiving benefits because you have a child in your care, and the child leaves your care, report it at once.

When you lose your Social Security or Medicare card or change your name

- Contact Social Security and apply for a replacement card with the same number.

When you travel outside the U.S.

- Medicare does not pay for hospital or other medical expenses outside the U.S. If you plan to travel abroad, consider obtaining additional insurance.

Benefits if living outside the U.S.

- U.S. citizens can receive Social Security benefits nearly anywhere in the world. However, beneficiaries who live outside of the U.S. must notify the SSA of their current residence – even if the benefits are directly deposited into a U.S. bank account.

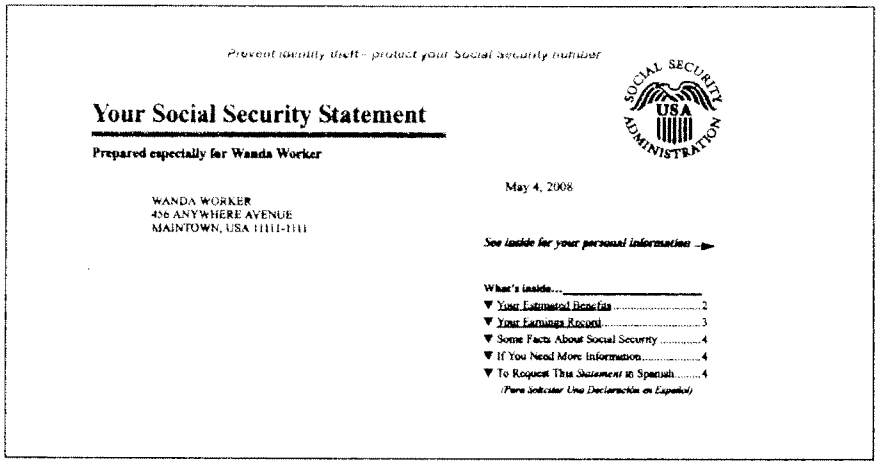
  There are some restrictions on paying Social Security benefits to non-citizens living outside the U.S., particularly dependent and survivor benefits. These complex rules can vary depending on the country of citizenship and residence. Non-citizens that have worked in the U.S. and qualify for retirement benefits can receive their benefits if they live outside the U.S.

Medicare Questions

- You can call **1-800-MEDICARE** if you have questions on these benefits. TTY users should call **1-877-486-2048**. Information is also available at **www.medicare.gov**.

Social Security Statement Questions and Answers

The Social Security Administration (SSA) is required by law to send a Statement about three months before your birthday if you are a worker or former worker age 25 or older and are not currently receiving benefits. Your Statement is a record of your earnings on which you paid Social Security taxes and the estimated benefits that can be paid to you and your family in the event of retirement, disability, or death. The Statement can help you in your financial planning. Following are some of the commonly asked questions and the page in this booklet to find the answers.



Prevent identity theft - protect your Social Security number

Your Social Security Statement

Prepared especially for Wanda Worker

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

May 4, 2008

See inside for your personal information →

What's inside...

▼ Your Estimated Benefits 2
▼ Your Earnings Record 3
▼ Some Facts About Social Security 4
▼ If You Need More Information 4
▼ To Request This *Statement* in Spanish 4

(Para Solicitar Una Declaración en Español)

Who is eligible for benefits based on my earnings record?
Members of your family may also be eligible for benefits based on your earnings records – retirement (pages 23-25), disability (pages 23-25, 38), and survivors (pages 46-48).

Is there a family maximum?
Yes. There is a maximum family benefit amount – retirement (page 25), disability (page 38), and survivors (page 46).

Can I get both my benefit and my spouse's benefit?
You will receive the benefit based on your own work record first. If your spouse's benefit is more, then you will receive the difference between your benefit and the spouse's benefit to bring your total benefit up to the higher amount (see page 24, example #2).

What is the full retirement age?
The full-retirement age (FRA) is 65 for people born before 1938 and rises gradually until it reaches 67 for people born in 1960 or later – page 17.

How many credits do I need to receive benefits?
If you were born in 1929 or later, you need 40 Social Security credits to qualify for retirement benefits – or about 10 years of work (page 15). The credits are different for disability (page 37) and survivor (page 44) benefits.

What is the maximum taxable earnings?
The maximum taxable amount for Social Security is $106,800 in 2009 – pages 6-7. There is no earnings limit for Medicare.

How many years of my earnings are used?
If you were born after January 1, 1929, you use your 35 highest years of indexed earnings to calculate your retirement benefit (page 12).

Will early retirement affect my benefit?
You can retire with a permanently-reduced Social Security benefit as early as age 62 – pages 19-20. A comprehensive table of early-retirement percentages is on pages 62-63.

Will delaying retirement affect my benefit?
You can increase your benefit by earning delayed retirement credits (DRCs) for any month that you do not receive your benefit from your full retirement age up to age 70. The DRC is based on your year of birth – pages 21-22. Additional earnings during this time may also result in a higher benefit.

Do I have to pay income tax on my benefits?
Benefits are income tax free for the majority of beneficiaries and partially tax free for the others – page 10.

Why aren't my earnings for this year on my record?
Earnings for the current year are typically posted by the end of September of the following year.

How do I correct information on my Statement?
Name or birthday: If you need to correct your name or birthday, you will need to complete SSA Form SS-5. Mail this form and one to two original documents showing the correct information – your documents will be mailed back to you. Photocopies or notarized copies are not accepted.

Address: Until you are receiving a benefit, SSA gets your address from the Internal Revenue Service (IRS). You will need to get IRS Form 8822 and mail it to the address in the instructions. You can download the IRS from www.irs.gov.

Earnings: If your earnings history is incorrect, SSA will need your name, Social Security number, the incorrect year(s), and the business name and address. You can also send in your W-2 to assist in correcting your record. You can contact SSA at 800-772-1213 or visit www.socialsecurity.gov.

Retirement

Credits needed to qualify for retirement benefits: 40 credits for people born after January 1, 1929, or about 10 years of work.

Number of years of earnings used to calculate a retirement benefit: 35 years for people born after January 1, 1929.

Primary Insurance Amount (PIA) formula

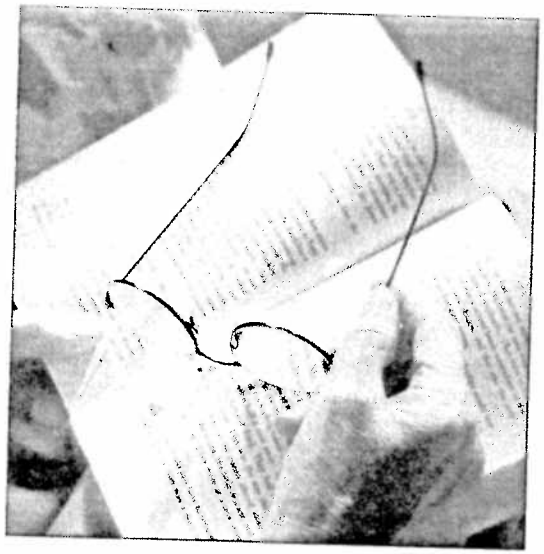
For people attaining age 62 in 2009, or becoming disabled or dying before age 62 in 2009, the PIA is:

- 90% of the first $744 of AIME, plus
- 32% of the next $3,739 of AIME, plus
- 15% of AIME in excess of $4,483

The dollar amounts in the formula are adjusted annually by changes in the national indexing average wage. To the resulting PIA, apply cost-of living adjustments (COLAs) for the year age 62 is attained (or disability or death occurs) and all subsequent years, as follows:

Year	COLA	Year	COLA	Year	COLA
1996	2.9%	2001	2.6%	2008	5.8%
1997	2.1	2002	1.4		
1998	1.3	2003	2.1		
1999	2.5	2004	2.7		
2000	3.5	2005	4.1		

Note: These COLAs are effective for December and normally payable in the next January.



For people who attained age 62 before 2009 (born before 1947). Multiply all of the index factors (page 64) by the multiplier shown below (the result cannot be less than one). Use the new factors to complete the worksheet on page 64. Then apply the appropriate PIA formula from the table below.

Year of Birth	Index Factor Multiplier	PIA Benefit Formula 90%	32%	15%
1939	0.754102	First $561	Next $2,820	Over $3,381
1940	.795803	592	2,975	3,567
1941	.814788	606	3,047	3,653
1942	.822960	612	3,077	3,689
1943	.843077	627	3,152	3,779
1944	.882270	656	3,299	3,955
1945	.914553	680	3,420	4,100
1946	.956588	711	3,577	4,288

Maximum Family Benefit (MFB) formula

For people attaining age 62 in 2009, or dying before age 62 in 2009, the MFB is:

- 150% of the first $950 of PIA, plus
- 272% of the next $422, plus
- 134% of the next $417, plus
- 75% of PIA in excess of $1,789

For disabled people, the MFB is the smaller of (a) 150% of PIA, or (b) 85% of the AIME, but not less than the PIA. The MFB is increased by the annual COLA.

Reduction Factors for Early Retirement

If a benefit begins before the full retirement age (see the table on page 17), it is reduced as follows:

Retired Worker	5/9 of 1% for each of the first 36 months, plus 5/12 of 1% for each month in excess of 36
Spouse	25/36 of 1% for each of the first 36 months, plus 5/12 of 1% for each month in excess of 36
Widow(er)	28½% at age 60 (prorated for months between age 60 and FRA)
Disabled widow(er)	28½% at ages 50-59

Full Retirement Ages, Early-Retirement Percentages, and Delayed-Retirement Percentages

Year of Birth[a]	Age in 2009	Full Retirement Age (Years): For Worker or Spouse Benefits	Full Retirement Age (Years): For Surviving Spouse Benefits	% of PIA Payable to Worker First Claiming Benefits at: Age 62[b]	Age 65[b]	Age 70[c]	% of Worker's PIA Payable to Spouse First Claiming Benefits at: Age 62[d]	Age 65[d]	% of Worker's PIA Payable to Surviving Spouse First Claiming Benefits at: Age 60[e]	Age 65[f]
1939	70	65 4/12	65	78 1/3	97 7/9	132 2/3	36 2/3	48 11/18	71 1/2	100
1940	69	65 5/12	65 2/12	77 1/2	96 7/8	131 1/2	36 1/4	47 11/12	71 1/2	99.08
1941	68	65 6/12	65 4/12	76 2/3	95 5/6	132 1/3	35 5/8	47 7/8	71 1/2	98.22
1942	67	65 10/12	65 6/12	75 5/6	94 7/8	131 1/4	35 5/12	46 29/36	71 1/2	97.41
1943	66	66	65 8/12	75	93 1/3	132	35	45 5/6	71 1/2	96.65
1944	65	66	65 10/12	75	93 1/3	132	35	45 5/6	71 1/2	95.93
1945	64	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1946	63	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1947	62	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1948	61	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1949	60	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1950	59	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1951	58	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1952	57	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1953	56	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1954	55	66	66	75	93 1/3	132	35	45 5/6	71 1/2	95.25
1955	54	66 2/12	66	74 1/6	92 5/6	130 2/3	34 7/12	45 5/36	71 1/2	95.25
1956	53	66 4/12	66	73 1/3	91 2/3	129 1/3	34 1/6	44 4/9	71 1/2	95.25
1957	52	66 6/12	66 2/12	72 1/2	90	128	33 3/4	43 3/4	71 1/2	94.61
1958	51	66 8/12	66 4/12	71 2/3	88 8/9	126 2/3	33 1/3	43 1/18	71 1/2	94.00
1959	50	66 10/12	66 6/12	70 5/6	87 7/9	125 1/3	32 11/12	42 13/36	71 1/2	93.42
1960	49	67	66 8/12	70	86 2/3	124	32 1/2	41 2/3	71 1/2	92.88
1961	48	67	66 10/12	70	86 2/3	124	32 1/2	41 2/3	71 1/2	92.35
1962 & later	47 & younger	67	67	70	86 2/3	124	32 1/2	41 2/3	71 1/2	91.86

[a] If you were born on January 1, refer to the year prior to the year of your birth.

[b] Actuarial-reduction factors for retired-worker benefits are 5/9% per month for first 36 months before full retirement age, plus 5/12% per month for any additional months.

[c] Delayed-retirement credits are granted for each month at or after full retirement age and before age 70 for which benefits are not received by a person who is fully insured. The increase for each such month is 1/4% for workers born in 1917-24; 7/24% for those born in 1925-26; 1/3% for 1927-28; 3/8% for 1929-30; 5/12% for 1931-32; 11/24% for 1933-34; 1/2% for 1935-36; 13/24% for 1937-38; 7/12% for 1939-40; 2/3% for 1941-42; and 2/3% for 1943 and later.

[d] At full retirement age, spouse can receive 50% of worker's PIA. Actuarial-reduction factors, as a percentage of full spouse's benefit, are 25/36% per month for first 36 months before full retirement age, plus 5/12% per month for any additional months.

[e] Or at ages 50-59, if disabled.

[f] At full retirement age, if worker did not have reduced early-retirement benefits, surviving spouse can receive 100% of worker's PIA. Actuarial-reduction factors are designed to grade linearly for ages below the full retirement age to 71 1/2% at age 60.

Worksheet for Figuring Your Indexed Earnings Only if Born After 1946

A Calendar Year	B Maximum Taxable Amount	C Enter Your Taxable Earnings	×	D Index Factor	=	E Indexed Earnings	F High Years	G Earnings Required for a Credit
1951	$ 3,600			14.43486				$50
1952	3,600			13.58935				50
1953	3,600			12.87028				50
1954	3,600			12.80421				50
1955	4,200			12.23874				50
1956	4,200			11.43866				50
1957	4,200			11.09516				50
1958	4,200			10.99828				50
1959	4,800			10.47914				50
1960	4,800			10.08342				50
1961	4,800			9.88692				50
1962	4,800			9.41545				50
1963	4,800			9.19008				50
1964	4,800			8.82925				50
1965	4,800			8.67309				50
1966	6,600			8.18196				50
1967	6,600			7.75025				50
1968	7,800			7.25183				50
1969	7,800			6.85564				50
1970	7,800			6.53151				50
1971	7,800			6.21902				50
1972	9,000			5.66395				50
1973	10,800			5.33043				50
1974	13,200			5.03134				50
1975	14,100			4.68148				50
1976	15,300			4.37930				50
1977	16,500			4.13168				50
1978	17,700			3.82772				250
1979	22,900			3.51981				260
1980	25,900			3.22896				290
1981	29,700			2.93365				310
1982	32,400			2.78057				340
1983	35,700			2.65141				370
1984	37,800			2.50420				390
1985	39,600			2.40187				410
1986	42,000			2.33263				440
1987	43,800			2.19279				460
1988	45,000			2.08986				470
1989	48,000			2.01027				500
1990	51,300			1.92151				520
1991	53,400			1.85248				540
1992	55,500			1.76171				570
1993	57,600			1.74668				590
1994	60,600			1.70103				620
1995	61,200			1.63547				630
1996	62,700			1.55922				640
1997	65,400			1.47325				670
1998	68,400			1.39998				700
1999	72,600			1.32608				740
2000	76,200			1.25659				780
2001	80,400			1.22731				830
2002	84,900			1.21513				870
2003	87,000			1.18613				890
2004	87,900			1.13344				900
2005	90,000			1.09343				920
2006	94,200			1.04538				970
2007	97,500			1.00000				1,000
2008	102,000			1.00000				1,050
2009	106,800			1.00000				1,090
2010+	*							*

*To be determined (page 6 for column B; page 15 for column G). Note: Index factors change each year.