Social Security: One piece of the puzzle

How federal benefits can fit into your retirement picture.

What it is

Social Security is a program funded by taxpayers and managed by the federal government. Although it may be best known for providing retirement income, Social Security also provides financial support in some cases to disabled workers and families of retired, disabled or deceased workers.

How it works

You pay into the system during your working years. These payments may appear on your pay stubs as contributions to "FICA," which stands for the Federal Insurance Contributions Act.

You generally must have paid in for a minimum of forty quarters —or ten years—to be eligible for retirement benefits.

Your retirement benefits will be based on an average of your earnings during your 35 highest-paid years.

If eligible, you can start receiving benefits as early as 62—or as late as 70—with payments rising if you delay.

A number of other factors may influence the dollar amount and tax treatment of your retirement benefits, including:

- Whether or not you are married
- If you are still working
- Your other retirement income

Know your full retirement age

Full retirement age (FRA) is when you become eligible for 100% of your Social Security retirement benefits.

Your FRA may be between 65 and 67, depending on the year you were born.

You can check your FRA with the Social Security Administration at www.ssa.gov.

Questions to ask

Before electing to start receiving benefits, consider the following:

- What kind of lifestyle do I want in retirement?
- Do I anticipate a long retirement?
- Will I continue to work or fully retire?
- Am I healthy?
- What other sources of income will I have?
- Do I need to consider spousal benefits?

Tips to help protect your benefits

Taking the following steps during your working years can help you safeguard your benefits:

1 Create an account on the Social Security website, and set up security measures to protect your identity.

2 Review your earnings records periodically for errors, just as you do with your credit report.

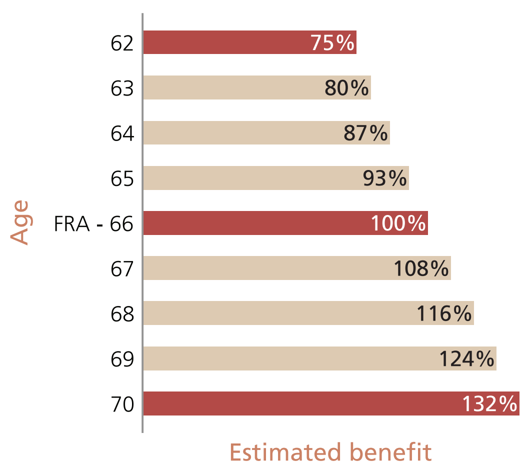
Your most important decision

Although you can't control how your benefits are calculated, you do have the ability to boost (or reduce) them, depending on when you start receiving benefits.

There are three key ages to keep in mind: 62, FRA and 70.

Age 62 is generally when you become eligible for retirement benefits, but they will be reduced by a certain amount if you start benefits at that time. FRA is when you become eligible for 100% of your benefits, but it is possible to receive more by delaying further. Your benefits increase every month you delay claiming from age 62 until age 70, after which they stop increasing. There is generally no advantage to delaying past 70.

Consider someone with a FRA of 66 as shown below. Notice how delaying from age 62 to 70 can significantly increase this person's monthly benefits.



Once you start receiving retirement benefits, the monthly amount you receive is locked in and will increase only to keep up with inflation—known as a Cost-of-Living Adjustment (COLA).

Where it fits

Social Security should be one component of your retirement plan, but it is not intended to replace the role of other sources of income, such as your pension or retirement savings.

Your UBS Financial Advisor can help you see how Social Security fits into your retirement picture and can help you feel more confident that your retirement plans are on track.

Key takeaways

- One of Social Security's main objectives is to provide retirement support for Americans who pay into the system during their working years.
- The amount of your benefits may be affected by a range of factors, including your level of earnings and marital status.
- One key decision to make is when to start receiving benefits, as the amount you receive increases from age 62 to 70.
- Social Security is intended to be one piece of your retirement planning puzzle but not the whole picture.

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