The Social Side of Retirement[SM]

Exploring Social Security Retirement Benefits

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When it comes to Social Security retirement benefits, your decision shouldn't be based on one-size-fits-all assumptions. Your age, marital status, health, and financial situation are all important considerations.

The Bipartisan Budget Act of 2015 established new limits on the Social Security filing options available to many people.

Even with these limitations, you still have important choices to make when filing for your Social Security retirement benefits.

This guide reflects the revised filing options and is intended as an introduction to Social Security. It does not cover every filing situation (some of which can be complex), but it can help lay the groundwork for further exploration.

It's your Social Security retirement benefit. Make the most of it!

Detailed information is available by visiting the Social Security Administration website at www.ssa.gov.
You can call the Social Security Administration toll-free at 1-800-772-1213 (TTY: 1-800-325-0778).

Social Security and you

Social Security retirement benefits are a core component of retirement income for many Americans. They are one of the few sources of retirement income that is predictable, unaffected by market performance, and may be periodically adjusted for inflation.

Social Security eligibility

If you work and pay taxes into Social Security, you may already know that this tax is withheld from your salary. You may have seen this tax listed on your pay stub.

Social Security (OASDI — Old Age, Survivors, and Disability Insurance) taxes are part of the Federal Insurance Contributions Act (FICA) tax. This federal payroll (or employment) tax is paid equally by many (but not all) employees and their employers. If you are self-employed, this tax is paid entirely by you. FICA taxes are used to fund Social Security and Medicare benefits.

Some government employees do not pay Social Security taxes and do not participate in the Social Security system.

Eligibility for Social Security retirement benefits is determined by the Social Security credits you have accumulated over your working life and by your age when you file for benefits.

Social Security retirement credits

During your working years, you earn credits toward Social Security retirement benefits. The number of credits required to receive Social Security retirement benefits depends on when you were born. Anyone born in 1929 or later must have 40 credits (10 years of work) to qualify.[1]

Many people will pay into the system for 35 years or more. The more you earn, the higher your benefit will be, up to specified limits.

Social Security only pays retirement benefits if you have accumulated the required number of credits. If you stop working before you have enough credits to qualify for benefits, the credits you have earned will remain on your Social Security record. If you return to work later on, you can earn more credits.

How you earn Social Security credits

With less than 10 years of work, accumulated credits are saved to your record, but you've not yet qualified for retirement benefits.

With 40 credits, or 10 years of work, you qualify for retirement benefits.

The longer you work, the more you contribute, and the higher your retirement benefits, up to specified limits.

START WORKING → RETIREMENT

[1] Social Security Administration, "Benefits Planner: Social Security Credits," www.ssa.gov/planners/credits.html.

Filing for benefits

You may be eligible to collect Social Security retirement benefits as soon as you reach age 62. Many Americans do just that, but should you?

Before you begin receiving benefits, it's important to understand how Social Security benefits work and the filing options that may be available to you.

Taking benefits early can have an impact on you, your spouse, and on survivors benefits later in life. It can mean leaving money on the table in the form of a reduced monthly benefit — a reduction that is permanent.

Know your full retirement age

Full retirement age is the age at which you are entitled to receive full Social Security retirement benefits. Full retirement age is based on the year you were born.

YOUR FULL RETIREMENT AGE[2]	
Year of birth	**Full retirement age**
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

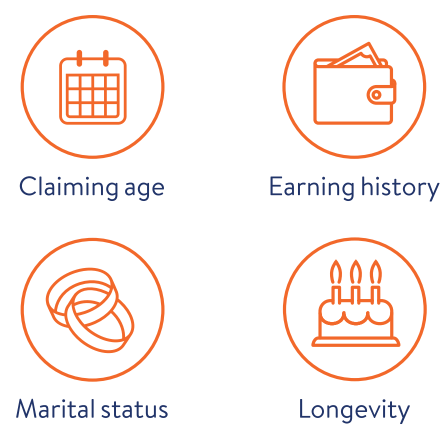
Your primary insurance amount

Your primary insurance amount (PIA) is the benefit you will receive if you begin collecting your benefits at your full retirement age. At this age, your benefit is neither reduced for early retirement nor increased for delayed retirement.[3]

How much will you receive?

The Social Security Administration calculates your benefit amount based on a variety of factors. Generally, four of the most important variables are shown below.

Your benefit amount: four key variables



[2] Social Security Administration, "Benefits Planner: Retirement | Full Retirement Age," www.ssa.gov/planners/retire/retirechart.html.
[3] Social Security Administration, "Primary Insurance Amount," www.ssa.gov/OACT/COLA/piaformula.html.

Longevity is the wild card[4]

According to data compiled by the Social Security Administration:

- A man reaching age 65 today can expect to live, on average, until age 84.
- A woman turning age 65 today can expect to live, on average, until age 86½.

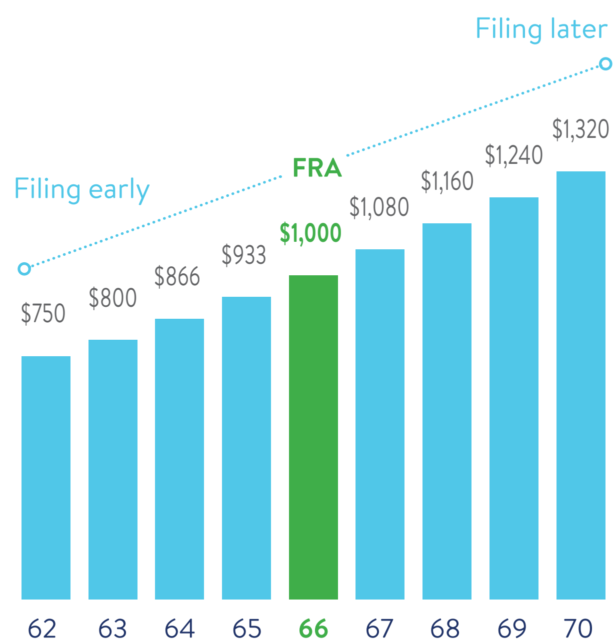
Those are just averages. Your own life span may be longer or shorter. Although it's impossible to predict exactly how long you will live, your current health and family history may provide a general idea of your chances for living a long time.

Filing for benefits — now or later?

Your age when you file for benefits has a significant impact on the amount you will receive each month and over your lifetime.

- **Before full retirement age** — Your monthly benefit is reduced, based on how early you claim it. This accounts for the longer time you may receive benefits. This reduction is permanent.
- **At full retirement age** — You receive your full retirement age benefit.
- **After full retirement age** — If you choose to delay receiving benefits beyond your full retirement age, your monthly benefit will increase with delayed retirement credits.[5] These are credits you earn for your decision to postpone receiving benefits past your full retirement age.

MONTHLY BENEFIT AMOUNTS



[4] Social Security Administration, "When to Start Receiving Retirement Benefits," www.ssa.gov/pubs/EN-05-10147.pdf.

[5] Delayed retirement credits may accrue for each month beyond your full retirement age that you delay receiving benefits. People who were born in 1943 or later can earn up to an additional 8 percent of their full retirement age benefit each full year they delay receiving benefits, up until they reach age 70. Spousal benefits are not eligible for delayed retirement credits. www.ssa.gov/planners/retire/delayret.html.

The long-term cost of filing early

Before deciding whether to begin receiving Social Security retirement benefits before reaching full retirement age, consider the long-term implications.

On your benefits — Filing before full retirement age permanently reduces monthly benefit amounts — up to 25 percent if your full retirement age is 66 (up to 30 percent if your full retirement age is 67). In general, the longer you expect to live, the more likely you are to benefit from waiting to receive benefits.

On a spouse's benefits — If your spouse collects a spousal benefit before reaching full retirement age, his or her benefit is permanently reduced.

In addition, if you take Social Security early and your spouse takes a spousal benefit early, the amount of benefits paid out over your combined lifetimes will be less than if one or both of you had waited to claim your benefits.

On survivors benefits — Combined household Social Security retirement benefits are always reduced when one spouse dies. A surviving spouse will receive either his or her individual benefit or an amount equal to the deceased spouse's benefit, whichever is greater.

The good news — The surviving spouse receives a benefit amount equal to the higher benefit.

The bad news — Instead of the combined benefits of two people, the surviving spouse receives just one benefit. Household income is always reduced when one spouse dies.

A filing strategy that delays collecting benefits may help provide additional financial security for a surviving spouse.

Benefits for spouses

Social Security spousal benefits may be available for

- Current spouses
- Surviving spouses
- Ex-spouses

Even spouses who have never worked under Social Security may be eligible to receive benefits if they are at least 62 years old and their spouse is receiving or eligible for retirement or disability benefits. If you are currently married, you cannot collect a spousal benefit until your spouse files for his or her benefit.

How much does a spouse receive?

Spouses who qualify for a spousal benefit can receive up to 50 percent of their spouse's full retirement age benefit.

If a spouse begins collecting a spousal benefit before reaching full retirement age, Social Security will pay a reduced benefit — unless the spouse is caring for a qualifying child. (Please see page 12 for more information on surviving spouses with a qualifying child.) In that case, the spousal benefit is not reduced.[6]

If a spouse is eligible for a retirement benefit based on his or her individual earnings and that benefit is higher than the spousal benefit he or she would receive, then Social Security will pay the higher individual benefit.

Important information for same-sex couples from the Social Security Administration

"We encourage you to apply right away for benefits, even if you are not sure you are eligible. Applying now will protect you against the loss of any potential benefits."

"We recognize same-sex couples' marriages in all states, and some non-marital legal relationships (such as some civil unions and domestic partnerships), to determine entitlement to Social Security benefits, Medicare entitlement, and eligibility and payment amounts for Supplemental Security Income (SSI). We also recognize same-sex marriages and some non-marital legal relationships established in foreign jurisdictions for purposes of determining entitlement to Social Security benefits, Medicare entitlement and SSI."

"If you have questions about how a same-sex marriage or non-marital legal relationship affects your claim, please call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you are deaf or hard of hearing. Or you can contact your local Social Security office."

The Social Security website also has helpful information at **www.ssa.gov/people/same-sexcouples.**

[6] Social Security Administration, "Benefits Planner: Retirement | Benefits for Your Children," www.ssa.gov/planners/retire/yourchildren.html. Certain maximum limits apply to family benefits.

Spousal benefits and filing age

Here is an example of how filing age can affect a spousal benefit for one hypothetical couple, John, age 66, and Paula, age 62.

At age 66, John has already reached full retirement age and has just filed for his monthly benefit. Paula's full retirement age is also 66 — but at age 62, she has a few years to go before she reaches that milestone.

Paula doesn't have the 40 credits needed to file for an individual benefit, so she plans to file for a spousal benefit based on John's earnings record.

By filing for his own benefit, John opens the door for Paula to file for a spousal benefit. However, if she begins collecting a spousal benefit before her full retirement age, the monthly spousal benefit she receives will be reduced.

By waiting until her full retirement age to collect her benefit, Paula will be eligible for the maximum spousal benefit amount — 50 percent of John's full retirement age benefit.

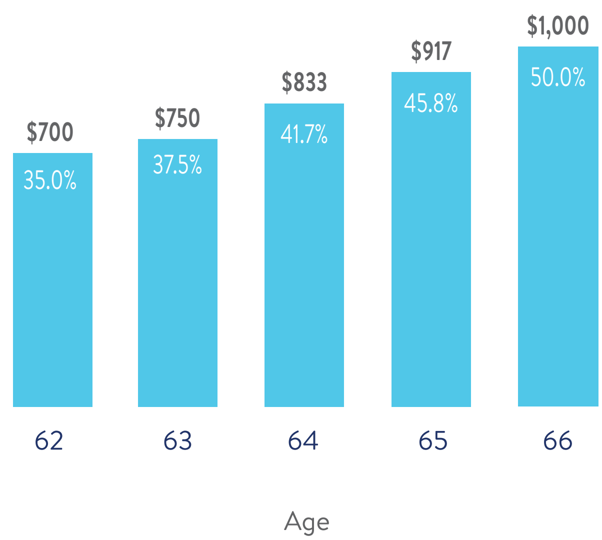
Let's assume that 50 percent of John's full retirement age benefit is $1,000. This is the spousal benefit amount that Paula will receive if she waits until her full retirement age to file for benefits.

Spousal benefits are not eligible for delayed retirement credits.

The chart below shows what happens if Paula begins collecting benefits before her full retirement age. The Social Security Administration reduces the percentage used to calculate her spousal benefit, if she claims her spousal benefit when she is only 62.

The Social Security Administration provides detailed information on spousal benefits, including a calculator that you can use to estimate your own spousal benefit.[7]

The Impact of Early Filing on Spousal Benefits



[7] Social Security Administration, "Benefits Planner: Retirement | If You Were Born Between 1943 and 1954," www.ssa.gov/planners/retire/1943.html.

How spousal benefits work

To understand Social Security spousal benefits, it's important to remember a basic principle: Spouses may receive either a benefit based on their own earnings history or an amount equal to 50 percent of their spouse's benefit — whichever amount is greater.

Keeping this principle in mind, let's look at what happens to spousal benefits for a married couple in three different scenarios. For the sake of simplicity, we'll make some basic assumptions.

- Both spouses are at their full retirement age at the time they file for benefits. This is the basis for using the maximum spousal benefit percentage of 50 percent. If the spouse claiming a spousal benefit is less than full retirement age, the percentage used to calculate the spousal benefit would be less.
- Spouse A has an earnings history that spans more than 35 years and has always paid Social Security taxes. Spouse A is eligible to receive a monthly benefit of $2,400. Based on that benefit amount, the maximum monthly spousal benefit that Spouse B would receive at full retirement age is $1,200.
- Spouse B has worked part-time over the years, always paying Social Security taxes when working. Although Spouse B's earnings have consistently been lower than Spouse A's, Spouse B has earned enough Social Security credits to be eligible for a small retirement benefit.

Now, let's add one variable to these assumptions. That variable is the monthly benefit amount that Spouse B is eligible to receive based solely on their individual earnings history. The graphic on page 9 shows how this works.

How individual benefits affect spousal benefits

Scenario 1: Spouse B is eligible to receive an individual monthly benefit of $500. This amount is less than 50 percent of Spouse A's monthly benefit of $2,400. Social Security supplements Spouse B's $500 individual monthly benefit with a monthly spousal benefit of $700. This increases Spouse B's total monthly benefit from $500 to $1,200, or 50 percent of Spouse A's benefit.

Scenario 2: Spouse B is eligible to receive an individual monthly benefit amount of $1,000. Spouse B's individual benefit is still less than 50 percent of Spouse A's $2,400 monthly benefit. Social Security still pays a spousal benefit, but it's only $200 monthly. Less of a supplement is required to bring Spouse B's monthly benefit amount into parity with 50 percent of Spouse A's monthly benefit.

MONTHLY BENEFIT SCENARIOS

	Scenario 1	Scenario 2	Scenario 3
Spouse A	$ 2,400	$ 2,400	$ 2,400
Spouse B	+ $ 500	+ $ 1,000	+ $ 1,500
Combined monthly benefit	$ 2,900	$ 3,400	$ 3,900
Spousal benefit	+ $ 700	+ $ 200	+ $ 0
Combined monthly benefit	$ 3,600	$ 3,600	$ 3,900

When Spouse B's individual benefit is less than 50 percent of Spouse A's monthly benefit, at full retirement age Spouse B will receive his or her individual benefit PLUS an additional amount so that the total benefit Spouse B receives is 50 percent of Spouse A's benefit.

Scenario 3: Spouse B is eligible to receive an individual monthly benefit of $1,500. No supplemental spousal benefit is paid because Spouse B's individual benefit is greater than 50 percent of Spouse A's $2,400 monthly benefit.

The restricted filing strategy

If you were born before January 2, 1954, and have reached your full retirement age, you may be able to file a restricted application for a spousal benefit. This special filing method allows you to collect a spousal benefit while your own benefit increases with delayed retirement credits — potentially by up to 32 percent. This strategy is only advantageous if your own benefit combined with any delayed retirement credits will be more than the amount of your spousal benefit.

The Bipartisan Budget Act of 2015 limits the use of restricted filing to claimants who were born before January 2, 1954, and have reached their full retirement age.

Meet Bob and Mary

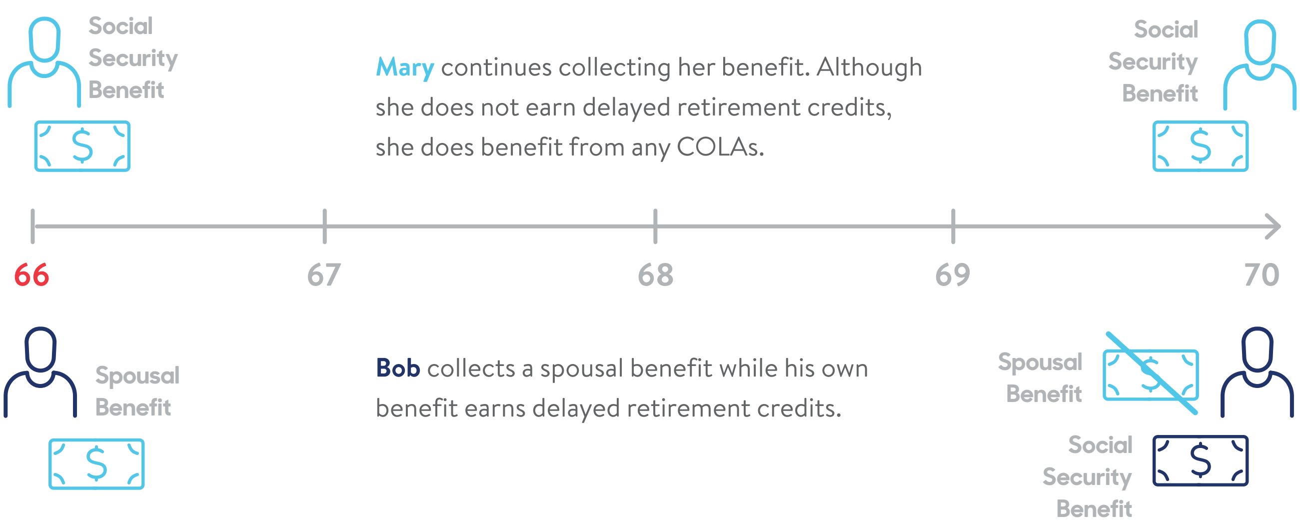
Let's look at how two different filing strategies might work for one hypothetical married couple. Bob and Mary were both born before January 2, 1954, and each is eligible to receive a Social Security retirement benefit based on their individual work records.

A restricted filing strategy offers Bob and Mary some important advantages.[8]

- Mary receives her Social Security benefit, which may be adjusted over time with annual cost-of-living adjustments (COLAs).
- Bob receives a spousal benefits, while his own benefit increases with delayed retirement credits of up to 8 percent each year until age 70.
- The couple enjoys a combined monthly benefit amount while they are alive.
- Survivors benefits are maximized when one spouse dies.

ONE SPOUSE FILES RESTRICTED

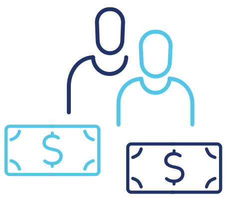
1. **Mary** begins collecting her Social Security benefits.
2. **Bob** files a restricted application for a spousal benefit at his full retirement age.
3. At age 70, **Mary** is still collecting her individual benefit, which does not include any delayed retirement credits.
4. At age 70, **Bob** stops collecting a spousal benefit and begins collecting his individual benefit. Delayed retirement credits have accrued over four years have increased his monthly benefit, in this example, by 32%.



[8] The Bipartisan Budget Act of 2015 limits the filing options available to many individuals. Because both Bob and Mary were born before January 2, 1954, Bob can file a restricted application for a spousal benefit at his full retirement age of 66 and switch to his own benefit later if that amount is greater.

BOTH SPOUSES FILE FOR BENEFITS BEFORE THEIR FULL RETIREMENT AGE

With this filing strategy, both Mary and Bob begin collecting their individual benefits at age 64 — before their full retirement age.



Mary and **Bob** file for their individual Social Security benefits at 64. Monthly benefits are lower than they would have been had they waited until their full retirement age of 66 to file for benefits. This will have an impact on their monthly household income when both are alive and later, when one spouse passes away.

Social Security monthly benefits are permanently reduced.

With this filing strategy, Bob and Mary have a very different outcome.

- Benefit payments start at age 64 for both spouses — possibly a good choice if there are health concerns or financial considerations.
- Their annual benefit amount is lower than the amount they would have received had they waited until full retirement age to claim their benefits.
- If either spouse is still working while collecting Social Security, a portion of his or her benefit may be withheld since neither has reached full retirement age.
- Neither spouse can earn delayed retirement credits.
- The surviving spouse will receive a lower benefit than would have been payable if both spouses had filed at full retirement age.

Divorced spouses

If you are currently divorced, but your marriage lasted 10 years or longer, you can receive benefits based on your ex-spouse's work record (even if he or she has remarried) provided that you meet all of the following criteria:

- You are currently unmarried.
- You are age 62 or older.
- Your ex-spouse is eligible to receive Social Security retirement benefits.
- The benefit you are eligible to receive based on your own earnings history is *less than* the benefit you would receive based on your ex-spouse's earnings history.

Your benefit as a divorced spouse is equal to 50 percent of your ex-spouse's full retirement age amount, provided that you start receiving benefits at your full retirement age.

If your former spouse has not applied for retirement benefits, but is eligible to receive them, you can receive benefits based on his or her earnings history if you have been divorced for at least two years.

If you are eligible for retirement benefits based on your individual earnings history, Social Security will pay that amount first. But if the benefit on your ex-spouse's record is a higher amount, you will get a combination of benefits that is equivalent to the higher amount.

At your full retirement age, you may also be able to file a restricted application for a spousal benefit, based on a grandfather provision of the Bipartisan Budget Act of 2015. The restricted filing strategy is discussed in more detail on page 9 of this guide. This strategy works in a similar fashion for divorced spouses, provided they meet the requirements outlined previously and were born before January 2, 1954.

Different rules and benefit amounts may apply if your ex-spouse is deceased. Learn more about benefits for divorced spouses by contacting the Social Security Administration or visiting their website.[9]

Surviving spouses

If you are the surviving spouse of a person who worked long enough under Social Security, you could be entitled to benefits based on your deceased spouse's earnings history. In general, a surviving spouse could receive:

- **Full benefits at full retirement age or older** — Full retirement age for survivors benefits is age 66 for people born between 1945 and 1956. After that, full retirement age gradually increases to age 67 for people born in 1962 or later. (Full retirement age is calculated differently for surviving spouses.)
- **Reduced benefits** as early as age 60.
- **Benefits as early as age 50** if the surviving spouse is disabled and the disability started before or within seven years of the spouse's death.

A surviving spouse who has not remarried can receive survivors benefits at any age if he or she cares for the deceased spouse's child. The child must be under age 16, or age 18 if disabled and receiving benefits based on the deceased spouse's earnings history.

If a surviving spouse remarries after reaching age 60 (age 50 if disabled), the new marriage will not affect eligibility for survivors benefits.

A surviving spouse who is receiving survivors benefits can switch to their own retirement benefit as early as age 62, provided that the amount of that benefit is greater than the amount received based on the deceased spouse's earnings history.

The rules are complicated and vary depending on your situation, so talk with a Social Security representative about the choices available to you.[10]

[9] Social Security Administration, "Benefits Planner: Retirement | Benefits for Your Divorced Spouse," www.ssa.gov/planners/retire/yourdivspouse.html.

[10] Social Security Administration, "Benefits Planner: Survivors | Planning for your Survivors: for Your Widow or Widower," www.ssa.gov/planners/survivors/onyourown2.html.

Working while collecting benefits

You can keep working after Social Security retirement or survivors benefits begin. If you are at your full retirement age or older, there is no reduction of your Social Security benefits, regardless of how much you earn from work.[11]

Before your full retirement age, any earnings are subject to an "earnings test." If your annual earned income exceeds the income limit for that year, Social Security will withhold all or a portion of your benefits. Income limits change each year and are indexed for inflation.

Benefits withheld are not lost

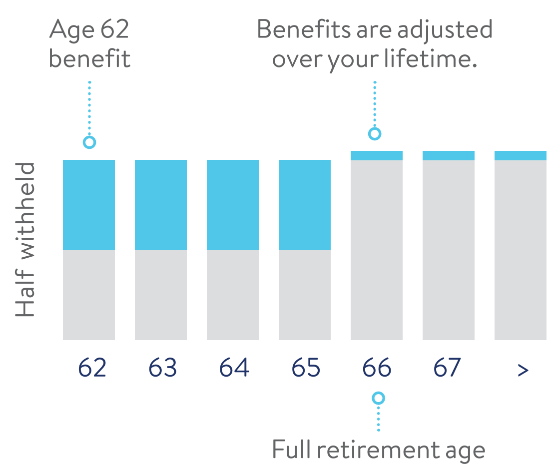
If Social Security benefits are reduced or withheld because of money you earned after you started receiving benefits, but before you reached your full retirement age, that money isn't gone forever. When you reach full retirement age, Social Security will increase your monthly benefit to account for payments that were withheld due to those earlier earnings. Once you reach your full retirement age, the earnings test no longer applies to any earnings you receive.[12]

Example

Let's say that you are eligible for monthly Social Security benefits at age 62, and begin collecting those benefits. Halfway through the year you return to work and continue working until your full retirement age. We'll assume that during this year, you earn enough income so that half your Social Security retirement benefits are withheld for that year.

Once you reach your full retirement age, the Social Security Administration recalculates your benefit. The withheld benefits are paid back to you over the rest of your life.

YOUR MONTHLY BENEFIT IS ADJUSTED AT FULL RETIREMENT AGE



[11] If you work outside the United States, the rules for receiving benefits while you are working are different. For more information, contact the Social Security Administration.

[12] Social Security Administration, "Benefits Planner: Retirement | Getting Benefits While Working," www.ssa.gov/planners/retire/whileworking.html.

Planning is important

Planning for your Social Security benefits is important — even if you don't qualify for certain filing strategies because of your age.

For example, if your full retirement age is 66, waiting until age 70 to claim your benefit can result in a monthly benefit that is 76 percent higher than the monthly benefit you would receive at age 62.

Depending on your situation, waiting even one or two years can result in a higher monthly benefit. For some married couples, coordinating benefit starting ages remains a powerful way to maximize benefits.

If you did not pay Social Security taxes

Windfall Elimination Provision (WEP) — This provision primarily affects people who work for an employer that does not withhold Social Security taxes from workers' salaries, such as some federal, state, and local government agencies.

Any pension you receive that is based on this work may reduce your Social Security benefits. Social Security uses a modified formula to calculate your benefit, which results in a lower Social Security benefit than you would receive otherwise.

Government Pension Offset (GPO) — If you receive a pension from a federal, state, or local government based on work where you did not pay Social Security taxes, your Social Security benefits as a spouse, widow, or widower may be reduced.

The Social Security Administration website has full details about each of these important provisions.

To learn more about WEP and GPO provisions, visit www.ssa.gov/planners/retire/wep.html.

Next steps

Create your *my* Social Security account

One of the most important steps you can take is to set up your *my* Social Security account at **www.ssa.gov/myaccount**.

Once you've set up your account, you can securely view your estimated benefits and earnings history. Social Security will use your earnings history to calculate your benefit, so be sure that the information is accurate.

Signing up for a *my* Social Security account can also help protect your Social Security information from thieves. When you create your account, you will establish a user ID name and a user password to help secure your online records.

Explore your options

We can help you assess different filing strategies within the context of your overall retirement income needs. Take the guesswork out of your Social Security filing decisions and consider making an appointment to discuss your options today.

Social Security resources

Detailed information is available by visiting the Social Security Administration website at **www.socialsecurity.gov**. You can also call the Social Security Administration toll-free at **1-800-772-1213** (**TTY: 1-800-325-0778**).

Social Security Administration Publications

For additional information on the topics addressed in this guide, you can order the following publications directly from the Social Security Administration by visiting **www.ssa.gov**

Understanding the Benefits
SSA Publication No. 05-10024, ICN 454930

When to Start Receiving Retirement Benefits
SSA Publication No. 05-10147, ICN 480136

Your Retirement Benefit: How It Is Figured
SSA Publication No. 05-10070, ICN 467100

What You Need to Know When You Get Retirement or Survivors Benefits
SSA Publication No. 05-10077, ICN 468300

Survivors Benefits
SSA Publication No. 05-10084, ICN 468540

How Work Affects Your Benefits
SSA Publication No. 05-10069, ICN 467005

Windfall Elimination Provision
SSA Publication No. 05-10045, ICN 460275

Government Pension Offset
SSA Publication No. 05-10007, ICN 451453

Final decisions about Social Security filing strategies always rest with you and should be based on your specific needs and health considerations.

It is important to acquire as much information as possible so that you can make an informed Social Security claiming decision; one year after the Social Security claiming decision is made, the options for change are extremely limited.

Some people, such as certain federal, state, and local government workers, may be subject to the "Government Pension Offset" and the "Windfall Elimination Provision," which could decrease their Social Security benefits.

If you work for an employer that offers a retirement plan, your plan benefit may be subject to a Social Security "pension offset" provision. (Your 401(k) contributions and the employer match are not subject to a pension offset.) A pension offset may reduce the amount of your retirement plan benefit when you become eligible to collect Social Security retirement benefits. This reduction may apply whether or not you are collecting Social Security retirement benefits. This could be an important consideration as you make your filing decision. Your plan administrator can tell you whether your plan includes a Social Security pension offset provision and how it might affect your retirement plan benefit.

The Social Security program was created by an Act of Congress and is subject to change. In the past, Congress has made changes to the law, which have affected Social Security benefits. Congress can make changes to the law at any time, which might affect benefits in the future.

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AN6407 1219 CRN202112-257001