What young workers should know about Social Security and saving

www.socialsecurity.gov

Saving for the future is important for multiple reasons. Education, buying your own home, taking a special vacation and even planning for your retirement are all good reasons to start saving early. Today's young workers can expect to spend 20 or more years in retirement, so it is important to begin your financial planning as early as possible. Here are some basic facts about Social Security and saving that can help you prepare for the future.

Why this *Statement* is important for your financial planning

You have probably been paying into the nation's Social Security and Medicare systems since you first began working. The enclosed *Statement* is a report of what you have paid into these programs and an estimate of how much you can expect to eventually get in benefits.

You will receive a *Statement* each year about three months before your birthday. As you read through your *Statement*, you should pay close attention to a few items.

- Check your earnings information. This will be the basis for determining how much you will receive in Social Security benefit payments.
- If you change jobs or marital status, make sure your name and Social Security number are reported correctly on your employer's records.

Will Social Security still be around when I retire?

Yes. The Social Security taxes you now pay go into the Social Security Trust Funds and are used to pay benefits to current beneficiaries. The Social Security Board of Trustees now estimates that based on current law, in 2041, the Trust Funds will be depleted. Because people are living longer and the birth rate is low, the ratio of workers to beneficiaries is falling. Therefore, the taxes that are paid by workers will not be enough to pay the full benefit amounts scheduled.

However, this does not mean that Social Security benefit payments would disappear. Even if modifications to the program are not made, there would still be enough funds in 2041 from taxes paid by workers to pay about $780 for every $1,000 in benefits scheduled.

Social Security: more than retirement

Social Security reaches almost every family, and at some point will touch the lives of nearly all Americans. This year, more than 50 million Americans will collect nearly $614 billion in Social Security benefits. Currently, nine out of 10 individuals age 65 and over receive benefits, and for two-thirds of the elderly, Social Security represents at least half of their income.

Like most, you probably think of Social Security as just a retirement program. However, depending on your circumstances, you may need the protection of Social Security well before retirement.

Social Security protects you if you become disabled …

Studies show that a 20-year-old worker has a 3-in-10 chance of qualifying for disability benefits before reaching retirement age.

Social Security protects your family in the event of death …

More than two million children and surviving spouses caring for children now receive survivor benefits from a deceased worker.

Page 2 of your *Statement* contains an estimate of your monthly disability benefit should you become disabled and of monthly benefits for your children and surviving spouse caring for children should you die.

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Social Security is a financial foundation

- Social Security helps replace earnings during retirement. Financial planners generally agree retirees will need about 70-80 percent of preretirement earnings to enjoy a comfortable retirement. For an average worker, Social Security replaces about 40 percent of annual preretirement earnings.

But you also should save and invest

- Since Social Security will only replace part of your lost earnings, your savings and investments play an important role in ensuring adequate income for you and your family.

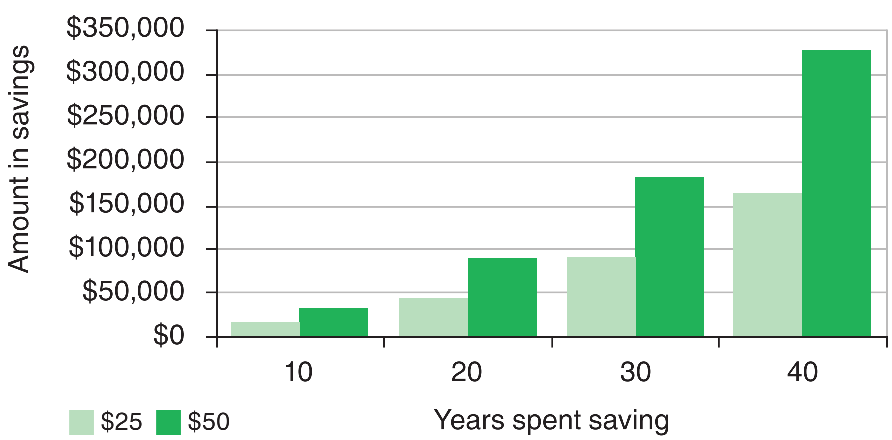
So start saving today

- The sooner you start, the more time you will have to save for retirement.
- Even setting aside a small portion of each paycheck will pay off in big dollars later: just $25 a week invested at 5 percent interest for 40 years will grow to about $165,000.
- Any amount you can save, even as little as $5 a week, will add up over time.
- The easiest way to save is through your job. Ask your employer if you can participate in a retirement savings plan at work. Your employer might even match your contributions to the plan.
- If your employer does not offer a savings plan, check with a bank or other financial institution for ways to save and invest on your own.

To help determine how much you should save for retirement, go to ***www.choosetosave.org*** and click on the Ballpark E$timate link. You can use the retirement benefit information from page 2 of your *Statement* when using this online calculator.

Growth in savings when you save $25 or $50 a week

(assuming a 5% annual rate of return)



Interested in other useful financial information?

Visit these websites

www.mymoney.gov

This site contains information on getting credit, paying for education, buying a home, creating a budget and starting a small business. It also contains calculators for your financial planning needs.

www.federalreserve.gov

In the Personal Finance section under Consumer Information, you can find worksheets that will help you establish goals, create a budget and find tips on how to stick to a budget.

www.sec.gov/investor/oiea_podcasts.htm

The Securities and Exchange Commission offers podcasts that cover a broad range of savings and investing topics.

www.ncua.gov/publications

At the National Credit Union Administration site, you can learn how to create an emergency financial first aid kit to help you maintain financial stability in an emergency and serve as a reference file for all of your financial documents.

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