

Your Retirement Benefit: How It Is Figured



As you make plans for your retirement, you may ask, "How much will I get from Social Security?" There are several ways you can find out. Social Security sends a yearly *Social Security Statement* to everyone age 25 or older who has paid Social Security taxes and has not yet received benefits. You should receive a *Statement* about three months before your birthday each year.

You also can request a *Statement* by calling Social Security and asking for a form SSA-7004, *Request for Social Security Statement*, or by downloading the form at www.socialsecurity.gov/online/ssa-7004.html on the Internet. Or, you can use the Benefit Planners at www.socialsecurity.gov/planners to estimate your benefit.

Many people wonder how their benefit is figured. Social Security benefits are based on your lifetime earnings. Your actual earnings are adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then Social Security calculates your average indexed monthly earnings during the 35 years in which you earned the most. We apply a formula to these earnings and arrive at your basic benefit, or "primary insurance amount" (PIA). This is how much you would receive at your full retirement age—65 or older, depending on your date of birth.

On the back of this page is a worksheet you can use to estimate your retirement benefit if you were born in 1942. It is only an estimate; for specific information about your situation, you should talk with a Social Security representative.

Factors that can change the amount of your retirement benefit

- *You choose to get benefits before your full retirement age.*
You can begin to receive Social Security benefits as early as age 62, but at a reduced rate. Your basic benefit will be reduced by a certain percentage if you retire before reaching retirement age.
- *You are eligible for cost-of-living benefit increases starting with the year you become 62.* This is true even if you do not get

benefits until 65 or even 70. Cost-of-living increases are added to your benefit beginning with the year you reach 62 up to the year you start getting benefits.

- *You delay your retirement past your full retirement age.*
You may continue working past your full retirement age and choose **not** to begin receiving Social Security benefits. If you do so, your benefit amount will be increased until you reach age 70.
- *You are a government worker with a pension.*
If you also get or are eligible for a pension from work where you did not pay Social Security taxes (usually a government job), a different formula is applied to your average indexed monthly earnings. To find out how your benefit is figured, contact Social Security and ask for a copy of the publication, *Windfall Elimination Provision* (Publication No. 05-10045) or review it online at www.socialsecurity.gov.

You may find a more detailed explanation about how your retirement benefit is calculated in the *Annual Statistical Supplement, 2002*. The publication is available on the Internet at www.socialsecurity.gov/policy/docs/statcomps/supplement/2003/apnd.pdf or you can order a paper copy by writing to the Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.

Contacting Social Security

For more information and to find copies of our publications, visit our website at www.socialsecurity.gov or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer specific questions and provide information by automated phone service 24 hours a day.

We treat all calls confidentially. We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

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Estimating your Social Security retirement benefit

For workers born in 1942 (people born in 1942 become age 62 in 2004 and are eligible for a benefit)

This worksheet shows how to estimate the Social Security monthly retirement benefit you would be eligible for at age 62 if you were born in 1942. It also allows you to estimate what you would receive at age 65 and 10 months, your full retirement age, **excluding any cost-of-living adjustments for which you may be eligible**. If you continue working past age 62, your additional earnings could increase your benefit. People born after 1942 can use this worksheet, but their actual benefit may be higher due to additional earnings and benefit increases. If you were born in a different year, please go online at www.socialsecurity.gov or contact us for that worksheet.

Step 1: Enter your actual earnings in Column B, but not more than the amount shown in Column A. If you have no earnings, enter "0."

Step 2: Multiply the amounts in Column B by the index factors in Column C, and enter the results in Column D. This gives you your indexed earnings, or the approximate value of your earnings in current dollars.

Step 3: Choose from Column D the 35 years with the highest amounts. Add these amounts. \$ _____

Step 4: Divide the result from Step 3 by 420 (the number of months in 35 years). Round down to the next lowest dollar. This will give you your average indexed monthly earnings. \$ _____

Step 5: a. Multiply the first \$612 in Step 4 by 90%. \$ _____

b. Multiply the amount in Step 4 over \$612 and less than or equal to \$3,689 by 32%. \$ _____

c. Multiply the amount in Step 4 over \$3,689 by 15%. \$ _____

Step 6: Add a, b and c from Step 5. Round down to the next lowest dollar. This is your estimated monthly retirement benefit at age 65 and 10 months, your full retirement age. \$ _____

Step 7: Multiply the amount in Step 6 by 75.8%. This is your estimated monthly retirement benefit if you retire at age 62. \$ _____

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1951	\$3,600		11.88	
1952	3,600		11.18	
1953	3,600		10.59	
1954	3,600		10.54	
1955	4,200		10.07	
1956	4,200		9.41	
1957	4,200		9.13	
1958	4,200		9.05	
1959	4,800		8.62	
1960	4,800		8.30	
1961	4,800		8.14	
1962	4,800		7.75	
1963	4,800		7.56	
1964	4,800		7.27	
1965	4,800		7.14	
1966	6,600		6.73	
1967	6,600		6.38	
1968	7,800		5.97	
1969	7,800		5.64	
1970	7,800		5.38	
1971	7,800		5.12	
1972	9,000		4.66	
1973	10,800		4.39	
1974	13,200		4.14	
1975	14,100		3.85	
1976	15,300		3.60	
1977	16,500		3.40	

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1978	17,700		3.15	
1979	22,900		2.90	
1980	25,900		2.66	
1981	29,700		2.41	
1982	32,400		2.29	
1983	35,700		2.18	
1984	37,800		2.06	
1985	39,600		1.98	
1986	42,000		1.92	
1987	43,800		1.80	
1988	45,000		1.72	
1989	48,000		1.65	
1990	51,300		1.58	
1991	53,400		1.52	
1992	55,500		1.45	
1993	57,600		1.44	
1994	60,600		1.40	
1995	61,200		1.35	
1996	62,700		1.28	
1997	65,400		1.21	
1998	68,400		1.15	
1999	72,600		1.09	
2000	76,200		1.03	
2001	80,400		1.01	
2002	84,900		1.00	
2003	87,900		1.00	

