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.

What you receive 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 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 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.

Before electing, ask yourself:

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

Tips to help safeguard your benefits:

1. Create an account on the Social Security website to help monitor and protect your identity.
2. Review your earnings records periodically for any errors, just as you would with your credit report.

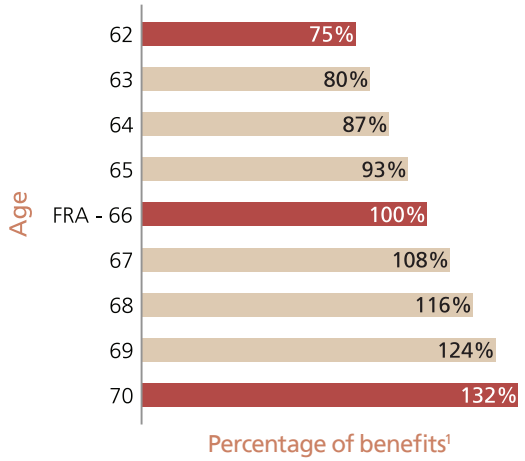
Your most important decision

Although you can't control how your benefits are calculated, you can influence how much you receive through your decision of when to start benefits, as delaying claiming can increase the monthly amount you receive. There are three key ages to keep in mind: 62, FRA and 70.

- **Age 62**: You become eligible for retirement benefits, but you will receive less than 100% if you elect at that time.
- **FRA**: You're eligible for 100% of your benefits.
- **Age 70**: You will receive more than 100% of your benefits. Your benefits stop increasing at age 70, so there is generally no advantage to delaying further.

Although your monthly benefits will be smaller if you elect before you reach FRA, you'll have the advantage of receiving income for a longer period of time.

Consider someone with an FRA of 66 as shown below. Notice how the monthly benefit received changes by delaying from 62 to 70.



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

Where it fits in

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 overall financial picture and can help you feel more confident that your 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.

[1] This is a hypothetical example. Your actual percentage may vary with your FRA.

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