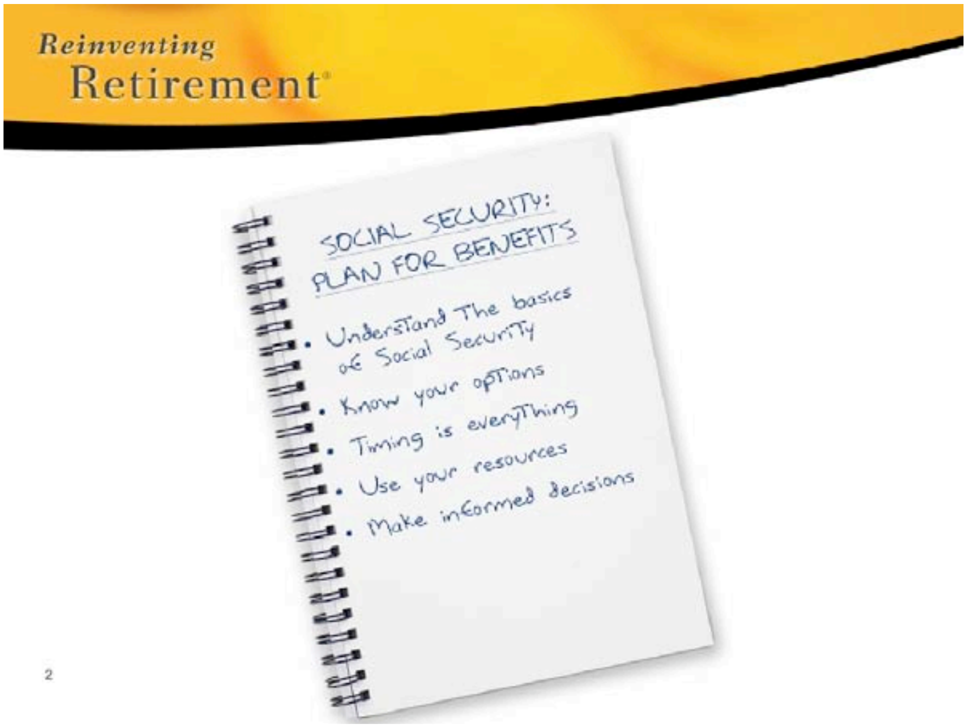
Narrator: Welcome our Fifteen Minute Finance presentation on Social Security. When you retire, you'll replace your paycheck with income from several sources, including Social Security benefits. If you've worked long enough – for 10 years or more, and paid Social Security taxes – you'll be eligible for these benefits when you retire.

Narrator: Although we tend to associate Social Security with retirement benefits, the program offers some other benefits as well. You may qualify for disability benefits if you have worked long enough and have a disability that prevents you from working for a year or longer or if you have a medical condition that is expected to result in your death.

In addition, if you die, some of your surviving family members may be eligible for benefits. These include widows and widowers, and dependent children, dependent parents, as well as divorced widows and widowers.

However, for the rest of this seminar, we're going to focus on retirement benefits, largely because that's the biggest part of Social Security, and it involves critical planning on your part.



Narrator: This seminar gives you an overview of Social Security benefits and some key choices you'll make, such as when to begin receiving them. There are advantages and disadvantages to each option. So, it's important that you understand the options and the consequences of each choice, use the resources available to you well, and make informed decisions.

Narrator: Before delving into more details on Social Security, let's take a step back and see what a typical retiree has for income once he or she no longer receives a regular paycheck. The Social Security system is meant to *supplement* the retirement income of Americans, not fully replace it. Social Security benefits replace about 40% of pre-retirement income for the average worker. Many financial advisors estimate that people typically need 70% to 80% of their pre-retirement income to have a financially secure retirement. That means that you should be saving and investing diligently towards your retirement to make up the remaining income.

Everyone's situation is different. Some might have a company pension. You might have an inheritance. Or you might have to rely completely on your own savings. Many people are deciding to continue working in retirement, partly for the income and partly for the social contact and mental stimulation. So, expect a mix of income sources, but make saving a top priority.

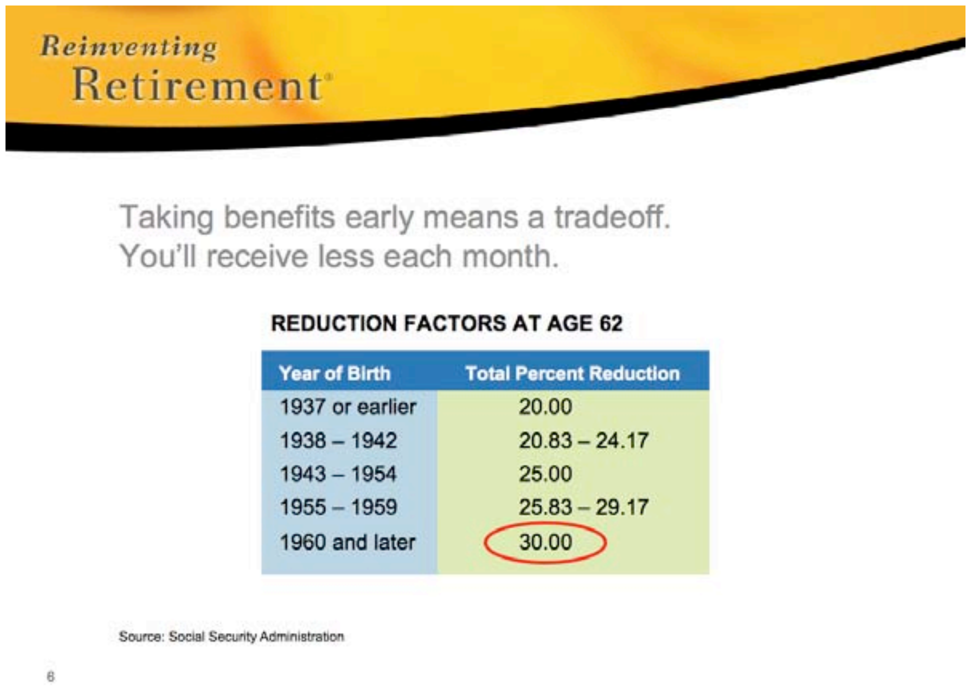
To appreciate how Social Security will affect people and the decisions we'll face, let's listen to what John and Sue have to say John and Sue are a fictitious couple that we use to give life to the strategies that we discuss in these presentations. Their ages may change from one seminar to another to suit the situation. In this presentation on Social Security, John and Sue are in their mid-50s.

John: I've been reading about the uncertain future of Social Security. Because there will be many more people retiring in the next few years, as the baby boomers begin their golden years, we could deplete the Social Security trust fund by 2037. After that, unless Social Security taxes are raised or the age when you can begin taking benefits is increased, benefits could be cut to 75% of their current level.

Sue: I know, John. It's hard to know how much we'll be affected when we retire in the next decade or two, but the younger you are, the more uncertain all of this is. Look at the situation of 20- or 30-year-olds. Can they realistically expect to receive full Social Security benefits in another 40 or 50 years?

John: I guess no one can take Social Security for granted any more. But it is here now and the benefits shouldn't change for the next 25 years or so. Beyond that, it's probably smartest to hope for the best but to prepare for the worst.

Narrator: Bringing our focus back to the present, you have three basic choices in deciding when to receive these benefits. First, you could start taking them as early as age 62, but at a reduced level. Second, you could begin to receive your full benefits at your so-called “full retirement age,” which is 66 for people retiring today. The third choice is to delay when you begin receiving benefits. You could wait up to age 70, and the longer you delay your benefits, the more you’ll receive each month once you begin.



Narrator: The earlier you begin taking your benefits, from age 62 on, the less you'll receive each month. Depending on the year you were born, taking benefits at age 62 could mean a reduction of up to 30%.

Reinventing Retirement

When should John begin his benefits?

Full monthly benefit at age 66 = $2,000 a month for life

Early benefits at age 62	25% less = $1,500 a month
Starting at age 63	20% less = $1,600 a month
Starting at age 64	13.33% less = $1,733.33 a month
Starting at age 65	6.67% less = $1,866.67 a month

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Narrator: John was born in 1955. He qualifies for a monthly benefit of $2,000 at his full retirement age of 66, but because he plans to start receiving benefits at age 62, he'll receive only $1,500, or 25% less a month.

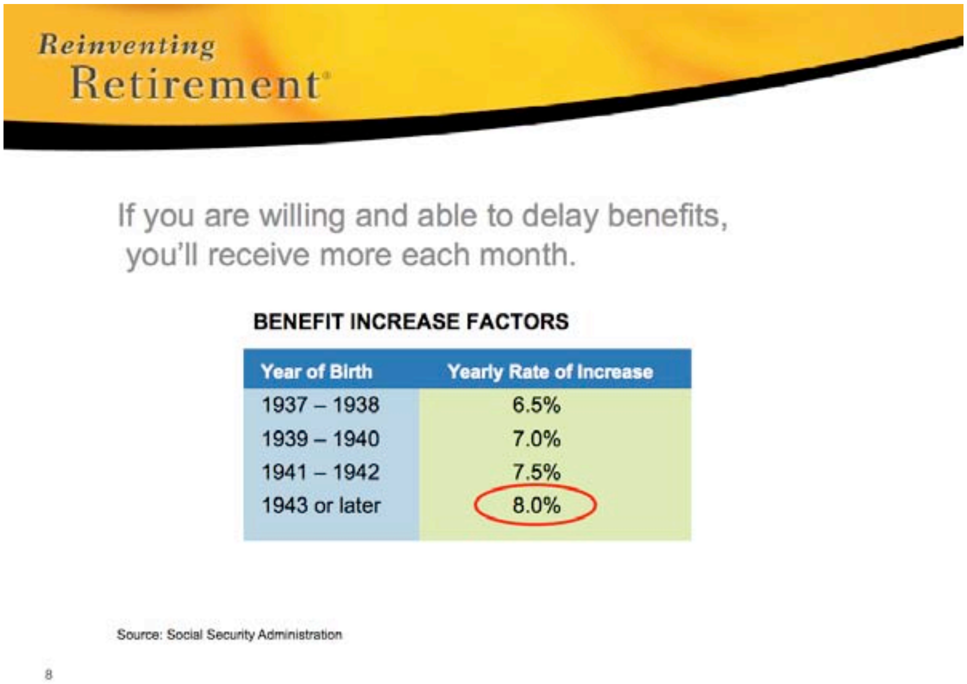
If John waits one more year, until age 63, his monthly benefit would be reduced by only 20%. At age 64, the reduction factor drops to 13.33%, and at age 65, it's only 6.67%.

John: "Sue, did you know I could begin receiving Social Security benefits in *just seven years!?* That's hard to believe!"

Sue: "Yes, but do you realize how much your benefits will be reduced if you take them early?"

John: "Well, let's see… My annual Social Security statement says that if I retire at age 66, I'll get $2,000, but if I retire at 62, I'll get just $1,500 a month."

Sue: "Not only that – if you begin to take benefits at 62, they'll stay at that lower level for the rest of your life. So, you see, there's a trade off. Early benefits look good, but are you willing to pay the long-term price?"



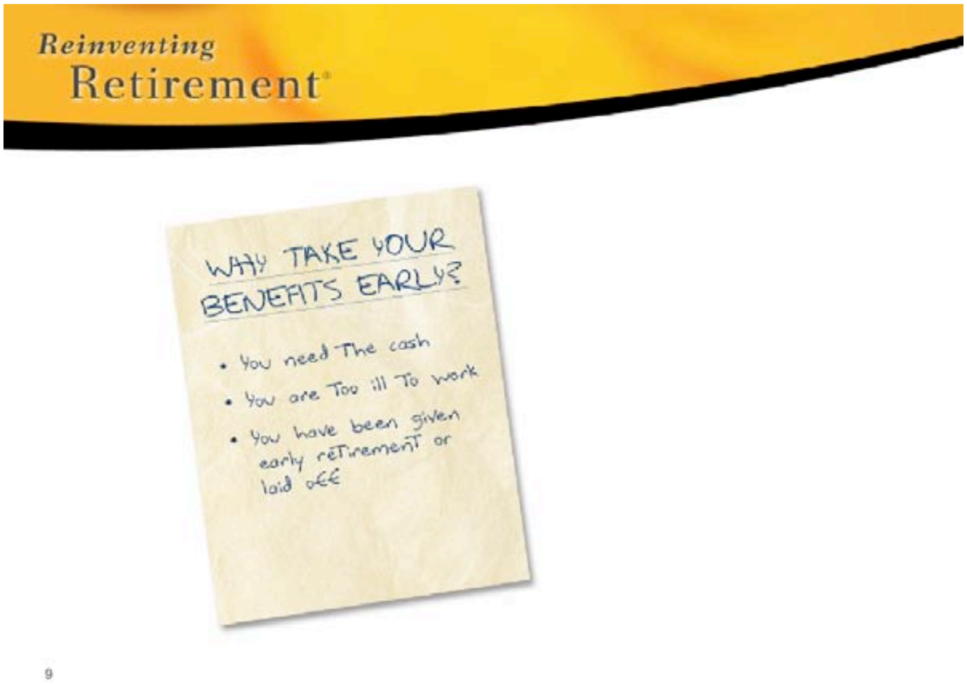
Year of Birth	Yearly Rate of Increase
1937 – 1938	6.5%
1939 – 1940	7.0%
1941 – 1942	7.5%
1943 or later	8.0%

Sue: "John, are you aware that you can increase your monthly benefit by waiting until after your full retirement age to start receiving Social Security benefits? Your benefit will rise by 8% for each year that you delay your benefits from your full retirement age of 66 up to age 70."

John: "So, if I take my Social Security benefits at age 70, I'll get 32% more a month? Let me calculate this… That's $2,640 a month. Wow! That's a lot more than the $1,500 I'd get if I start my benefits at age 62."

Sue: "That's right. You should think about this some more before doing something that you might later regret."

Narrator: John and Sue have the right idea to take some time and think about when to start taking Social Security benefits. There's a lot at stake.



John: “You know there are some very good reasons to begin taking your Social Security benefits early. I know some people who are really going to need the cash. And some won’t be healthy enough to keep working or maybe they’re out of work and can’t find a job.”

Sue: “Let’s just consider some of the reasons why you might not want to take your Social Security benefits early. These include being healthy and having a family history of longevity. If you expect to have a long life ahead of you, maybe you should delay your benefits. Not only would your monthly benefits formula go up, but if you are able to earn more income, that could raise your level of benefits as well. Working longer and delaying your retirement would also give you more time to build your personal savings. And you’ll be less likely to run out of money before you die.”

Narrator: As you can see, many factors may go into deciding when to take your Social Security benefits. Look at your life expectancy. The average 65-year-old American man can expect to live until age 83. And the average 65-year-old woman will live to age 85. If you think you might live longer than the average person because of your lifestyle or family history, you might consider delaying your benefits and receiving 8% more in benefits for every year you delay.

If you need the cash now, your options may be limited. But perhaps another source of retirement income could tide you over for a few years.

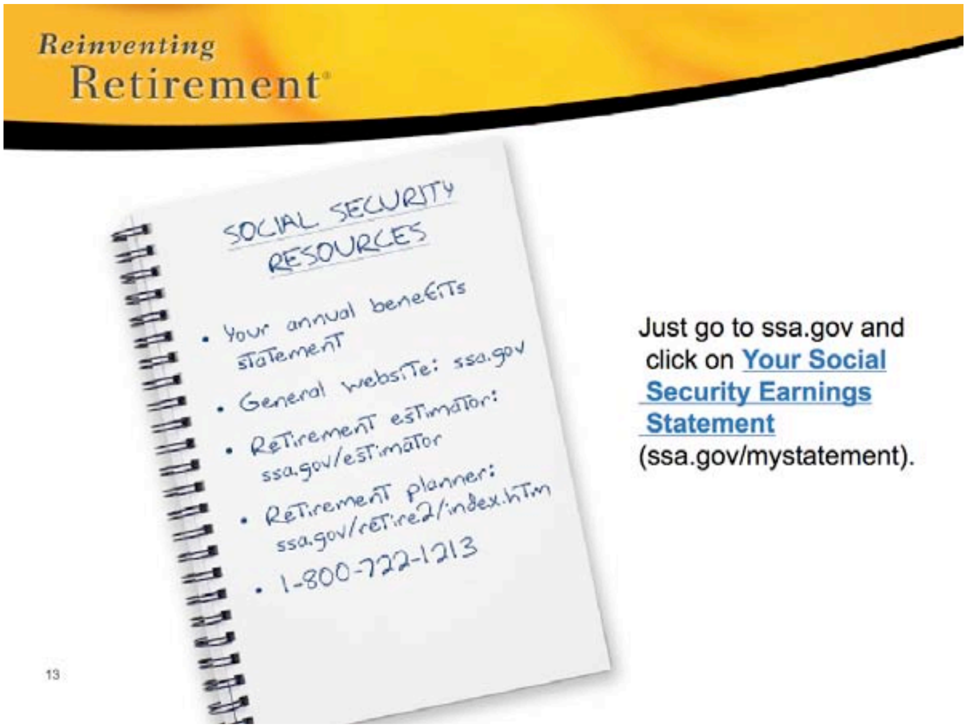
If you continue to work part-time after officially retiring, it might be easier for you to delay your benefits. But if you start to receive Social Security before your full retirement age, your benefit will be reduced by $1 for every $2 that your earnings go over the annual limit, which is $14,160 for 2010. However, once you reach full retirement age, there's no annual earnings limit. But earnings from a job could lead to more of your Social Security benefits being taxed if that moves you into a higher tax bracket.

There is no one best answer about when to retire. Your circumstances will dictate what makes sense for you. If you are married, perhaps you could coordinate with your spouse.

One of you could take benefits early or at a normal age and the other one could delay benefits. This coordinated approach could give you a stream of initial income and maximize the other spouse's benefits. A financial advisor could help you come up with a smart and suitable plan.

Narrator: In this session, we've focused on your Social Security benefits and how you can best decide on when to take them. As mentioned earlier, these benefits will be just part of your mix of retirement income, which could also include withdrawals from retirement savings plans. Pension income, an annuity, other non-retirement savings or part-time work could also add to the mix of income you receive.

You should regularly review and estimate what you can expect to receive from all your sources of retirement income. This should help guide you to know how much you need to save and when you'll be able to retire.



Narrator: To find out what you can expect to receive from Social Security, review the Social Security statement that you receive each year. This personalized booklet provides an estimate of your benefits if you take them at age 62, at your full retirement age, and at age 70. It also includes your entire earnings record.

A really great online resource is the Social Security website, where you can access this information and a lot more. Just go to ssa.gov and click on **Your Social Security Earnings Statement** (ssa.gov/mystatement).

The Social Security website has plenty of useful and easy-to-navigate pages and tools, including an up-to-date retirement benefits estimator, an overall retirement planner, a disability planner, and a survivor's planner. You can use the website to apply for Social Security benefits as well as Medicare, get or replace a Social Security card, request a statement, get forms and publications, and check the status of your application for benefits.

For more information, call the Social Security Administration at 1-800-772-1213.

Thank you for your time today and best wishes on learning about and benefiting fully from your Social Security benefits.

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Thank you