

Get ready for new, improved Social Security statements

Surprise, I got mail! I'm not sure why, but I received a Social Security estimated benefit statement in the mail a couple weeks ago. Although I will reach a milestone birthday of 60 later this year, I didn't expect to receive a paper statement because I have already set up an online account.



Whatever the reason, I'm glad I received a paper statement to compare it to previous ones in my retirement file.

Bowing to public and congressional pressure, the Social Security Administration announced in September it would resume periodic mailings of estimated benefit statements to workers who reach ages 25, 30, 35, 40, 45, 50, 55 and 60, are not receiving Social Security benefits and have not registered for an online account.

Designated workers will receive a statement in the mail about three months before their birthday. After age 60, people will receive a statement every year. The agency expects to send nearly 48 million statements each year.

At the same time, the agency continues to urge all workers to create personalized Social Security accounts online — at socialsecurity.gov/myaccount — that will allow them to access their benefit information at any time.

The new paper statement is peppered with additional information about websites where you can create a personalized account; estimate your future benefits; apply for retirement, disability or Medicare benefits; and manage benefits once you begin receiving them.

While essentially the same as earlier versions, I noticed one marked improvement in the new paper statement. Boldfaced at the top right hand corner of the front page is my estimated benefit at my full retirement age — subliminal messaging that full retirement age is an appropriate time to claim benefits. A majority of Americans still claim Social Security benefits as soon as they can at age 62 even though their benefits are permanently reduced by 25%. Previous versions of the Social Security statement buried this crucial estimate on Page 2.

SURVIVOR BENEFITS

Like earlier versions, Page 2 of the new Social Security statement contains detailed information about my retirement benefits at various ages, as well as potential disability benefits if I am unable to work and survivor benefits for my husband if I die first.

Perhaps in a nod to the budget cutbacks that prompted the agency to stop mailing statements a few years ago, the new statement looks like a discount version of its former self, all black and white type and small fonts that make it a bit difficult to read. Earlier versions used larger, clearer type and stripes of green to separate key blocks of information that resulted in a more user-friendly experience.

Benefit estimates are based on average earnings over a worker's

lifetime and assume earnings will continue at current levels. Generally, the older you are and the closer you are to retirement, the more accurate the estimated retirement benefits will be. The actual amount is determined when you apply for benefits and may differ from current estimates if earnings increase or decrease in the future.

Page 2 also contains brief descriptions of the Windfall Elimination Provision and Government Pension Offset rules that can reduce or even eliminate Social Security benefits for public employees who receive a pension from a job at which they did not pay Social Security taxes.

Page 3 contains a complete earnings history including the amount of Social Security and Medicare taxes paid each year. The statement urges workers to review the earnings record carefully and report any errors as it could affect their benefits.

Now that I have racked up 42 years of earnings, the lower earnings during my college years — including working as a cashier in a liquor store and as a tour guide at The Washington Post — will drop off from the calculation that uses my top 35 earnings years, indexed for inflation, to compute my monthly retirement benefits.

SUCCINCT SUMMARY

Page 4 contains a succinct summary of Social Security eligibility rules for various benefits including retirement, disability, family and survivor benefits.

I applaud the Social Security Administration for adding its two-page "Thinking of Retiring?" publication in the mailing. It could help average Americans better understand their benefits and how their initial claiming age can affect not only their retirement check but the amount their surviving spouse receives, too.

The Social Security statement continues to be a valuable financial planning tool documenting lifetime earnings and estimating future retirement benefits. But why wait to receive one in the mail? If you haven't done so already, set up an online account today at socialsecurity.gov/myaccount and urge your clients to do the same. More than million Americans already have. It's a good start, but with more than 100 million American workers, there is still a long way to go.

(Questions about Social Security? Find the answers in my e-book at InvestmentNews.com/MBFebook.)

Mary Beth Franklin is a contributing editor at InvestmentNews. mbfranklin@investmentnews.com
Twitter: @mbfretirepro