

How to Read and Understand Your Social Security Statement – Part 1

If you are approaching eligibility for Social Security retirement benefits – or are already past age 62 – you are used to receiving your latest statement in the mail every year. You may or may not have noticed that you didn't receive one in 2011, but depending on how close you were to filing for benefits you may not have cared very much either way.

Getting Your Current Statement

The Social Security Administration stopped mailing statements in 2011 as part of a cost-cutting effort, but resumed sending them in 2012 to people over age 60. 2012 also marked the launch of an SSA online initiative, which includes the opportunity for most of us to set up an "account" and obtain our own statements on the SSA website. Here's how you do it:

1. Go to <http://ssa.gov/>
2. Go to the Top Services menu on the left side of the page and click on  [Get your Social Security Statement online](#)
3. Click on the box at the bottom left of the page that says: [Sign In or Create an Account](#)
4. Follow the instructions

Early in the process, you will encounter an ominous warning statement that reads as follows:

Note

You may sign in or create an account to access your [own personal information only](#). Unauthorized use of this service is a misrepresentation of your identity to the federal government and could subject you to criminal or civil penalties, or both.

This means that technically you cannot ask your financial advisor, attorney, CPA, or son-in-law to create your account for you without exposing them to possible criminal or civil liability. If you don't have online access, or if you are unable to verify your identity online, you may visit your local Social Security office to obtain your statement. On the other hand, if you're not prepared to do this yourself and your son-in-law is inclined to be a scofflaw, you can simply choose to ride shotgun while he opens the throttle.

Assuming that you are successful in creating your online account – and the most difficult part might be coming up with a password that fits the rules – you may access your statement at any time. Here's what it looks like:

Reading the Statement

If you're like me, you will immediately run to the top of page 2 to see what your estimated retirement benefits will be at age 62, somewhere between 66 and 67 (depending on your date of birth), and age 70. You might be pleased to see that the numbers are larger than those that

appeared on your last statement. Next, you will jump to your Earnings Record on page 3. Maybe you'll be impressed seeing what you've earned over the years; or perhaps it will bring back fond memories of the fifteen years you spent out of the workforce raising your kids. Most often, you will be inclined to file the statement away at that point, in which case you might miss out on some useful information.

Page 1. Although not groundbreaking, there are a few items of interest on the first page. For example, the second paragraph says:

“Please read this *Statement* carefully. If you see a mistake, please let us know. That’s important because your benefits will be based on our record of your lifetime earnings.”

At first blush this seems like little more than patronizing boilerplate, but my wife had an experience that caused me to sit up and take notice. In 2012, I decided to do an analysis of our own Social Security claiming options and asked my wife to go online to get her statement, which she was able to do without incident. When I looked at her Earnings Record, I noticed a big fat zero in 2010. Well, I happen to know that her earnings were more than zero in 2010, since I keep the books for her corporation and do the taxes. I produced the W-2 and asked her to go down to our local SSA office with the evidence. Within a very few weeks, the statement was updated to include accurate earnings for 2010. This is particularly important for people, like my wife, who because of child rearing or other circumstances do not have a robust 35-year Social Security work history.

The next paragraph makes the point that:

“We’re more than a retirement program. Social Security also can provide benefits if you become disabled and help support your family after you die.”

Most people are probably aware that Social Security provides disability benefits but many – married men, in particular – act as if they do not understand Social Security survivor benefits. In general terms, a surviving spouse (more often than not, a widow) is entitled to receive the benefit her husband was receiving at the time of his death if it is higher than her own benefit. This can be an important component of a couple’s retirement income planning.

About Social Security’s future ... My 2009 statement read as follows: “Without changes, by **2041** the Social Security Trust Fund will be exhausted and there will be enough money to pay only about **78** cents for each dollar of scheduled benefits.” 2012 statements made the point that: “Without changes, in **2036** the Social Security Trust Fund will be able to pay only about **77** cents for each dollar of scheduled benefits.” 2013 statements say: “Without changes, in **2033** the Social Security Trust Fund will be able to pay only about **75** cents for each dollar of scheduled benefits.” [emphasis added] Although there is not much an individual can do about this, other than communicate their concerns to their representatives in Washington, it illustrates dramatically how quickly the long-range economics of Social Security are becoming a near-term issue – ***unless changes are made very soon.***

It should also be noted that the sound bites we hear that Social Security is “bankrupt” are simply not true. A well-known U.S. Senator who is very interested in this subject stated on February 9, 2013, that the Social Security Trust Fund currently has a surplus of over \$2.7 trillion. Even if no changes are made soon, the Trust Fund is projected to be able to fund full benefits for the next 20 years, and 75% of benefits thereafter. The more rapid erosion over the past few years can be attributed at least partly to the 2% payroll tax cut that was in effect during 2011 and 2012.

Just above the Commissioner’s signature at the end of Page 1 notice the following: “... and when you’re ready to apply for benefits, use our improved online application---It’s so easy!” I’m all for using technology that makes things easy, and I suspect that this will work nicely for anyone who is simply filing an application for benefits on their own record. However, until experience has shown that the online application system can handle more sophisticated applications – for example, for spousal or divorced spouse benefits – I strongly advise my clients to go to their local SSA office, explain what they wish to do, and don’t leave until it’s done correctly.

Social Security on the Net... This section provides the URL to the Social Security Administration website: <http://ssa.gov/> The SSA site is huge and packed with information which, unfortunately for most people, is fairly difficult to navigate and understand. The statement references a publication called *When To Start Receiving Retirement Benefits*, which provides a very basic introduction to the impact of starting age on the size of benefits, and it also mentions the availability on the website of SSA’s **Retirement Estimator**, a very useful calculator that enables one to run a variety of “what if” scenarios to estimate future retirement benefits. This can be especially useful as we proceed to Page 2 of your statement, which I will cover on my next post.