

Social Security benefits – the foundation of retirement

Social Security payments are important to most Americans. And because retirement could last 30 years or longer, it's very important to consider how and when you should start receiving income.

Taking payments **BEFORE FULL retirement age** reduces benefits.

The average monthly Social Security benefit for a retired worker at the beginning of 2012 was about \$1,230, while the maximum possible benefit for someone retiring at their full retirement age (age 66 in 2012) will be \$2,513.¹ Since the amount of your benefit is permanently affected by your age when you start your income, it's critical to be aware of the long-term impact of taking benefits before you reach your "full retirement age."

- You can start your Social Security retirement benefits as early as age 62, but the benefit amounts you receive will be less than your full retirement benefit amount. If you start your benefits early, the amount will be permanently reduced based on the number of months you receive benefits before you reach your full retirement age.

For example, if you were born in 1955, full retirement age is 66 years and two months. If you draw Social Security at age 62, the benefit would be reduced by 25.83%.

Year of birth ²	Full retirement age	Age 62 benefit reduction
1937 or earlier	65	20%
1938	65 and 2 months	20.83%
1939	65 and 4 months	21.67%
1940	65 and 6 months	22.50%
1941	65 and 8 months	23.33%
1942	65 and 10 months	24.17%
1943-1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 and later	67	30.00%

² If you were born on January 1 of any year, you should refer to the previous year. (If you were born on the first of the month, the Social Security Administration will figure your benefit (and your full retirement age) as if your birthday was in the previous month.)

Social Security Administration, Retirement Planner: Full Retirement Age, 2012.

For all that's ahead.SM



Allianz Life Insurance Company of New York
Allianz Life Insurance Company of North America

¹ Social Security Administration, Eligibility/Computation of Benefits and Maximum Social Security retirement benefit, 2012.

- If you collect Social Security before reaching full retirement age, your Social Security benefits will be reduced if you earn over \$15,120 in 2013.¹ When you reach your full retirement age, any month in which benefits were reduced will be removed from the early retirement deduction calculation, which may raise the benefit paid.
- If you reach full retirement age in 2013, delaying benefits beyond full retirement age will result in an 8% per year benefit increase. This increase will reach its maximum value when you reach age 70.
- As much as 85% of your Social Security benefits may be subject to the federal income tax.
- Since a surviving spouse's survivor's benefit is based on the deceased spouse's income amount, you should consider a death scenario when thinking about taking Social Security before reaching full retirement age.
- You may want to adjust the age you take retirement income in order to gain the maximum benefit over your lifetime. Since there are many variables to consider (income tax, life expectancy, survivor's benefit, etc.) you should be careful when considering any break-even analysis.

Many people take a reduced Social Security benefit by drawing income before they reach their full retirement age. While each situation is different – and drawing early might be appropriate, in some cases – there are a few issues to keep in mind:

- If you expect to live longer than average, the reduced benefit will stay reduced for a long time. Consider the amount you may be giving up over your lifetime.
- If you plan on working while drawing Social Security – before reaching full retirement age – consider how working will affect your Social Security benefits.
- Drawing a reduced retirement income benefit may also reduce the income benefit your spouse receives if you die before your spouse.
- If there is a significant difference between your age and that of your spouse, Social Security benefits are likely to be paid over a greater time period than when spouses are close in age. In situations like this it is even more important to understand how different assumptions might impact the possible results. Variables such as the age benefits start, longevity, and survivor's benefits can combine to produce substantial differences in total benefits received.

Call your financial professional and tax advisor to discuss what may be appropriate for your situation.

All information provided can be confirmed via the Social Security Administration. You are encouraged to seek the advice of a Social Security representative.

¹ Social Security Administration, Fact Sheet, 2013 Social Security Changes.

This document is for educational use only.

This document is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America and Allianz Life Insurance Company of New York, their affiliated companies, and their representatives and employees do not give legal or tax advice. You are encouraged to consult your tax advisor or attorney.

• Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. In New York, products are issued by Allianz Life Insurance Company of New York, One Chase Manhattan Plaza, 38th Floor, New York, NY 10005-1423. www.allianzlife.com/newyork/. Variable products are distributed by their affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. Only Allianz Life Insurance Company of New York is authorized to offer annuities and life insurance in the state of New York.