



## Your Annual Social Security Statement

Knowing your Social Security benefit options can help you decide if you have enough assets set aside to take early retirement – or if you have to wait.



### Investor profile

- Joe & Debbie – Age 57
- Both actively employed
- Annual combined earnings – \$260,000
- \$500,000 invested in qualified retirement plans
- Social Security benefits – Undetermined

### Retirement priorities

- Explore Social Security benefit and retirement date options
- Determine total income needed to retire early
- Assess feasibility of taking early retirement
- Develop investment planning strategy to bridge income gap

Joe and Debbie, both 57, are thinking seriously about retirement, but they're uncertain whether they have enough money saved to retire early. Debbie suggests they call their financial professional to discuss their financial future and their retirement options.

Their financial professional sets up an appointment and asks them to bring the latest statements from all their retirement accounts. He also suggests they each bring their most recent *Social Security Statement*, which projects the benefits they can expect to receive based on their earnings during their working years and the retirement dates they may select.

Joe and Debbie must carefully consider the pros and cons of applying early for Social Security benefits rather than waiting until

full retirement age. If they were to retire early, they would draw Social Security benefits at a permanently reduced rate. But if they choose to wait, they can take retirement income at a higher percentage of their full Social Security benefit – up to 100% if they wait until their full retirement age, which is 66. Should they decide to wait until age 70, they'll each get 132% of their full benefit.<sup>1</sup>

Knowing the amount of Social Security benefits each can expect to receive at certain prescribed ages, along with their other income sources, can give the couple a clearer picture of their overall retirement readiness and the amount they may still need to save to retire comfortably.

**Too few workers are setting money aside for their future: 54% have less than \$25,000 in total savings, with 27% having under \$1,000.**

- Employee Benefit Research Institute's 2010 Retirement Confidence Survey

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## Your Social Security Statement Can Help Project Your Retirement Readiness

**The number of people ages 65 and older in the United States is expected to more than double by 2050, rising from 40 million in 2010 to almost 89 million.**

- U.S. Census Bureau, *The Next Four Decades. The Older Population in the United States: 2010 to 2050.* May 2010

If you're among the more than 77 million baby boomers approaching or in retirement, you may be looking to the future with more than a little apprehension. According to a recent employee benefit survey, the majority of U.S. workers today have not saved enough money for retirement and they worry how they'll bridge their income gap.<sup>2</sup>

Not surprisingly, today's workers would like to retire without compromising their current lifestyle, yet many are counting heavily on Social Security and company pensions to meet their retirement income needs. On average, Social Security provides only 4 of every 10 dollars of a retiree's income, and pension plans are increasingly becoming a thing of the past. All too few of these workers are taking it upon themselves to invest for the future – 54% have less than \$25,000 in total savings, with 27% having under \$1,000.<sup>2</sup>

Here's more:

- Almost half (46%) of today's workers surveyed are not too or not at all confident that they will have enough savings to live comfortably in retirement compared to 29% in 2007, the start of the most recent market downturn.<sup>2</sup>
- In fact, many workers don't know how much to save for retirement. Less than half (46%) have tried to calculate how much they'll need.<sup>2</sup>

- The average life expectancy has increased by more than 10 years since 1950, leaving retirees to prepare for – and fund – retirements that could last 30 years or more.<sup>3</sup>
- Many individuals underestimate the impact that inflation can have on their standard of living in retirement. Over the past 40 years, costs for basic necessities (e.g., food, housing, transportation and utilities) have risen at between 1% and 13% **annually**.<sup>4</sup>

It's ironic that many baby boomers expect Social Security to be the cornerstone of their retirement plans, but they have no clear idea what their Social Security benefit options are and, based on those options, what their monthly payments might be.

### Your Social Security Statement Can Help You Prepare for Retirement

Many of your retirement answers can be found in your *Social Security Statement*, the personalized report each of us receives in the mail every year from the Social Security Administration. The statement summarizes your lifelong earnings and projects the monthly amounts you can expect to receive from Social Security for retirement, disability or survivor benefits. Whether you plan to retire early or later, the projections in this report can give you a clearer picture of your retirement readiness.



### Early Retirement (commence benefit at age 62)<sup>1</sup>

Full Retirement Age	Benefit Reduction
■ Age 65	20%
■ Age 66	25%
■ Age 67	30%

### Delayed Retirement (commencement beyond full retirement age)<sup>1</sup>

Year of Birth	Yearly Increase
1939-1940	7%
1941-1942	7.5%
1943 or later	8%

## You Can Work, But Your Benefits May Be Reduced As a Result

You can continue working while you receive Social Security benefits, but any earnings will reduce your benefit amount until you reach full retirement age:

- If you are under full retirement age, Social Security will deduct \$1.00 from your benefit payments for every \$2.00 you earn above the annual limit. In 2011, for example, that limit is \$14,160.<sup>1</sup>
- In the year you reach full retirement age, there is a separate limit of \$37,680 but Social Security only counts earnings before the month you attain full retirement age. If you earn more than this amount, \$1.00 in benefits is withheld for every \$3.00 earned above the limit.<sup>1</sup>
- Starting with the month you reach your full retirement age, you can receive benefits with no limit on your earnings.<sup>1</sup>

### The Facts: Social Security benefits alone will likely be insufficient for you to retire comfortably.

If you're like most workers today, you're probably unaware of the age at which you can receive full retirement benefits from Social Security without a reduction for taking early retirement.

Also:

- You can begin receiving benefits anytime between the ages of 62 and 70, but your birth date will affect how much you receive.
- Don't assume you can draw full benefits at age 65 – the rules have changed.
- There are limits on what you can earn if you plan to continue working.

### The Challenge: When should you begin receiving Social Security benefits?

As the tables at left show, you will receive a reduced benefit if you decide to take Social Security income early, receive full benefits at full retirement age or receive increased benefits if you delay beyond full retirement age.

### The Options: Identify all possible sources of retirement income.

- 401(k), 403(b), etc. and/or company pension plan
- IRAs, annuities and mutual funds
- Personal savings and investments
- Part-time work in retirement

*The Solution >*



**The Solution: Consult your financial professional** to determine the most appropriate time for you to take retirement based on the amount you expect to receive from Social Security – then develop a thorough investment plan to add to your assets.

Conventional wisdom says you'll need as much as 70% to 80% of your pre-retirement income, adjusted each year for inflation, to continue your current lifestyle. There are many factors to consider when

deciding how much more money you will need from other sources to supplement your retirement income.

**Step 1:** Review your tax-advantaged investment accounts and company pension plans to see how much income you can expect to receive from these sources.

**Step 2:** List other income sources you may have to help bridge the gap between Social Security benefits and the income you'll actually need to last a lifetime in retirement.

**Step 3:** Talk to your financial professional and review your Social Security statement and your retirement plans.

**Professional Guidance:** Your financial professional can examine your Social Security statement and your current retirement plan to see if you're on track to reach your goals. He or she will use a variety of tools to develop a strategy that will help you build more assets and bridge your income gap.

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Contact your **financial professional** to determine whether you have a **retirement income gap** and **what you can do** about it.

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<sup>1</sup> [www.ssa.gov](http://www.ssa.gov)

<sup>2</sup> Employee Benefit Research Institute's 2010 Retirement Confidence Survey

<sup>3</sup> Towers Watson Health Care Cost Survey 2010 (active employee data) and Bureau of Labor Statistics, seasonally adjusted data from the Current Employment Statistics Survey, August to August, 2000-2009

<sup>4</sup> [inflationdata.com](http://inflationdata.com)

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