Pam Krueger: Let me turn it over now and kind of get the… one of the questions that’s burning in all of our minds is about Social Security and what can we expect.

I’m going to turn it over now to Diana Varela. She’s a public affairs specialist for the Social Security Administration.

Diana, thanks for joining us.

Diana Varela: Pam, thank you very much. Actually, on behalf of the Social Security Administration I wanted to say thank you to the sponsors and also to everybody out there listening to this call.

As a matter of fact, it is so important in terms of Social Security because this program really touches almost everybody -- every American’s life, from children to men and women who are living in retirement. And of course when we’re talking about women, remember the role of women today is much, much different than what it was back in 1935 when Social Security came about.

At that time the benefits were limited to retired workers, and most workers were men. Most women did not work outside of the home. Nowadays women represent nearly 60% of the workforce, and there are some facts that add importance to Social Security benefits for women.

As Jerry and also Pam have mentioned before, you know, fewer women are covered by pensions today. There are some statistical facts [from] back in the year 2002 that support that fact. Only about 21% of married women age 65 or
older were receiving pensions in comparison to men, who were receiving pensions, you know, about 28% of men.

And also Jerry talked about inflation. Social Security benefits are tied to inflation. Every year the government will provide a cost of living increase, so Social Security benefits provide the support to people who are counting on those benefits.

It’s important also to know too that Social Security benefits continue for the life of the beneficiary, and that’s important too, especially because we have been talking about so far how men are living, have an expectancy of life less than women.

So women, you know after 65 years old there is a life expectancy of 20 years more in comparison to men that is only about 17 years after age 65.

So those are some of the facts that are important to keep in mind; and because Social Security benefits also provide,… as you can see from this slide, 58% of all aged beneficiaries are women and 71% of all aged beneficiaries over the age of 85 are women.

Those are facts that are very important when we talk about Social Security benefits.

I would like to provide to you some other information. For 78% of unmarried women who are age 65 or older, you know, Social Security represents at least 50% of their total income.

It has been proven that for some specific groups… I know, for example, for Hispanics, if the women in Hispanic communities did not receive Social
Security benefits, the index of poverty would grow from 19% to 63% [for them]. And that is true in other communities as well.

For about 30% of unmarried women who are 65 years or older, Social Security is their only source of income; and the big question here - and we’ve been talking about it - is the percentage of total income that Social Security represents and the need for women--and actually for everybody--to have other sources of income.

Social Security should not be the only source of income when you retire. It should be also supplemented with retirement plans, with savings, investments, if that is possible. [If you have average earnings, your Social Security retirement benefits will replace about 40 percent of your pre-retirement earnings. The percentage is lower for people in the upper income brackets and higher for people with low incomes. See “More Charts and Calculators” at www.ssa.gov/planners/morecalculators.htm.]

We are going to tell you what is the average monthly benefit in terms of Social Security.

For women, it’s $905. For men, it’s $1,177, and that is based on benefits paid through the year 2006; but of course, you know, the difference between the year 2006 and 2007 is going to be slight. [Benefits will be slightly] higher [in 2007] because the benefits for Social Security are tied to the earnings that people had.]

And if women are having less earnings throughout their long-time careers, they will absolutely be getting less benefits as well. The questions are sometimes “What are my options?” and “What decisions do I have to make today?”
Well, in regards to Social Security benefits, there are many decisions that you have to come across. The first decision that you have to count on is, “When am I going to retire?” When am I eligible for Social Security benefits?

We have three different options for you. Number 1 option is you can get early benefits. Your early benefits can start as early as the year when you reach 62 years old.

With early benefits, your [reduced] benefits will only be payable [in full] if you make a certain amount of money within the year, because, yes, you can work and receive Social Security.

But if you’re only 62 years old [or under normal or full retirement age] and receive early benefits, you can only make in the year 2007 $12,960 [before $1 in benefits will be deducted for each $2 you earn above the annual limit, which for 2007 is $12,960. This is referred to as the “Annual Earnings Test.”]. Of course this amount changes every year. Next year it’s going to be a little bit higher--the amount of money that you can make [before your Social Security benefits are reduced based on your earnings if you are under normal or full retirement age]. [See Question “How much can I earn and still receive Social Security benefits?” on the Social Security Administration Web site. Starting with the month you reach full retirement age, you will get your Social Security benefits with no limit on your earnings.]

But between early benefits, which are reduced benefits, and when you can retire with full benefits, as you can see from this slide, it shows you the chart that tells you when your full retirement age will be, dependent on the year that you were born.

For [those born in] 1937 the full retirement age was 65. When the law changed in the year 2000, it raised full retirement age to 67. You still have the
choice to retire at 62, but you need to know that your benefits will be less -
also, that if you work, you can only make a certain amount of money from
wages in a particular year [before your benefits are reduced further].

Once you reach your full retirement age you will be able to work, have any
amount of earnings, and those earnings will not affect your benefits. And
those are some of the decisions that you need to make, because Social
Security will be part of your income, and if you retire at full retirement age,
your wages will not affect your Social Security benefits. [They] will be
another portion of your income as well.

If you receive early retirement benefits, you will receive at least 30% less than
if you wait until you are full retirement age, if your full retirement age is 67.

That way, for example, if my full retirement age is 67 and I get to… get paid
[were entitled to receive] $1,000 in benefits at age 67, if I were to choose to
retire at 62, the Social Security Administration will only pay me $700 a month
to start off.

Of course, remember the benefits will continue to increase because of the cost
of living.

Ten minutes is a little too short a time to talk about everything that we need to
talk about about retirement and other Social Security benefits. I invite you to
go onto Social Security’s website, which is actually www.ssa.gov, because
within our website you can not only find information about the different
benefits that we have, but we also have -- and I really would like to point out--
Retirement, Survivors and Disability Planners.

They are actually calculators [an earnings test calculator, a retirement age
calculator, and a “Break Even” age calculator] that will help you plan for your
benefits because of course we send the Social Security statement, which is really a financial tool. You are being informed about the different benefits that we can pay to you, but the statement is only a projection.

And if you know that your earnings will increase or decrease, or you are going to stop working at a particular time of year, your Social Security statement will not provide to you an accurate amount of the [your] benefits.

When you visit our website and you go into the calculator you are able to compute your benefits and of course, you know, play with different scenarios to do that.

Pam Krueger: Diana, can I break in for a minute? This is Pam, moderator.

I’ve been to that site, and I can tell you that there are some very, very rich portions of that website--sections where you can go in and do all kinds of what-ifs, and I imagine that after the call the site is going to be inundated with people who are going to want to do the what-if projections.

There is a lot to cover, but I have one last question for you, and that is - is it fair to say after everything that we’ve just heard from you, clearly women who will live longer than men cannot count on Social Security for anything but perhaps… I mean this is women who will be retiring in the next 15 years-

Oh, I don’t know, what, maybe a third of their income - their source of income when it comes to retirement?

Diana Varela: Well let me tell you something, Pam, then. In regards to Social Security benefits, what you will receive will really depend upon the earnings that you have at the current time.
So there is no specific standard formula. Okay? Because the [Social Security] retirement [benefits] you will receive in terms of your total income and the earnings that you input into the system will depend upon your particular earnings record …

Pam Krueger: Sure, sure. But isn’t there a maximum?

Diana Varela: A maximum of?

Pam Krueger: A maximum amount you can receive?

Diana Varela: A percentage that you will receive?

Pam Krueger: Yes.

Diana Varela: No, no. It can go anywhere… as Jerry was saying, 20% return to 60% return of your total pre-retirement income. It really depends on the [pre-retirement] income that you have.

It’s the same as asking someone, you know, “When do you think is the best time that I will be able to retire?” We come across that question very often, and I say, “You will have to find out. You need to get the facts about how much your income will be from Social Security, the other sources of income that you have, and take into consideration health issues, family issues at the time that you are about to be 62 years old.”

Pam Krueger: But clearly, would you… would you want to leave people with the advice that as women, especially that it is not… we don’t want to be depending on Social Security benefits as a sole support for our retirement years.
Diana Varela: It has never been intended for the Social Security Administration to provide to you 100% of your income when you retire. Social Security should be seen as one of the different sources of income, and we always stress that.

If you take a look at the Social Security statement--and we sent you this for this particular purpose -- so you can plan for the future--with the statement, you are able to review your earnings throughout the years.

Verify [that] those earnings are correct, and most of all, plan for the future, because if you take a look at the amount of benefits that we can pay to you today, can you live on that amount?

No.

Pam Krueger: That’s my point.

Diana Varela: The answer is no.

Pam Krueger: That’s my point.

Diana Varela: Can you and your -- we’re talking about before that of course, you know, we are expecting to spend this amount on mortgage, on food, and all of those items. But what about the unexpected?

We talk about health care expenses. We talk about certain illnesses that people develop or accidents and things like that. So we have to take…

Pam Krueger: But, Diana…

Diana Varela: …that into consideration.
Pam Krueger: This is really, really, really useful, especially the website. I think what we want to do next is… this is the perfect segue to what Jonathan is going to get into next, which is, you know, again coming back around to these steps and this approach to the planning process -- Social Security being one source of income you can factor in.

I want to thank you for shedding some light on how it works. Appreciate it.