

Part One: Things to Know Before Retirement - Social Security

Even if you haven't reached retirement age just yet, there are some things you may want to know before you do. Your health insurance and income may change once you retire, and being prepared with knowing the who, what, where, when, why, and how, can help make this process a little less stressful.

In this three-part series about retirement and how you can prepare for it, you can learn about Social Security, Medicare, and retirement accounts.

What Is Social Security and Who Does It Benefit?

Social Security is a federal insurance program run by the Social Security Administration (SSA), providing benefits to retirees, those who qualify for disability payments, and the survivors of these people. If you worked in the U.S. and paid taxes to Social Security, that money is used to benefit the following:

- **Retirees**
- **People with Qualifying Disabilities**
- **Survivors of Deceased Workers**
- **Dependents of Someone Receiving Benefits**

How Does Social Security Work?

You may be thinking, *how does social security work once I retire?* Social Security collects taxes from individuals currently in the workforce to pay qualifying recipients (retired, disabled, etc.). The SSA takes the collected taxes and places them into a trust fund. That money is then sent out monthly to current beneficiaries.

Social Security works on a "credit" system where you earn credits for reaching a specific amount of earnings. Currently, you can collect one credit for every \$1,640 earned. However, you can only earn a maximum of four credits per year. The amount of earnings per credit increases each year, and to become eligible for Social Security payments when you retire, most individuals must work at least 10 years (40 credits).



When Are You Eligible for Benefits?

You must reach your qualifying retirement age to receive your entire Social Security benefit amount. Your birth year determines your "complete" retirement age.

Year of birth	Full retirement age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

You may start to receive benefits as early as 62 years old, but the benefit amount is reduced if you choose to receive benefits before your designated retirement period. Delaying your retirement and Social Security payments will increase your benefit amount by a certain percentage until you start receiving benefits or turn 70 years old.

Why Is It Important to Be Prepared?

Although you may not be retiring soon, knowing some of the important dates of when you are eligible for benefits and should apply can be helpful. The SSA recommends beginning the [benefit application](#) process about four months before you would like your payments to start. Some of the documents you may need when applying include:

- **Social Security card**
- **Birth Certificate**
- **Proof of U.S. Citizenship or Lawful Immigration Status**
- **Military Discharge Paperwork, if Applicable**
- **Most Recent Tax Documents if Self-Employed**
- **Marriage Certificate and Spouse Identification Documents (if applying for same earnings)**
- **Checkbook or Bank Account Statement (including routing number)**



Where Will Social Security Payments Go?

Social Security benefits must be received electronically through direct deposit to your bank account or a prepaid debit card from the Direct Express card program. If you do not have a bank account with a financial institution, you can sign up for the Direct Express card program when you apply for benefits. Payment recipients may have to pay taxes if their annual income exceeds a specific amount.

You can find more details on other qualifying recipients in the SSA's [Understanding the Benefits guide](#).

Retirement is a rewarding milestone to be proud of, and preparing for what is to come can be important. Knowing a little more about how and when Social Security works may help make these future arrangements. Look out for part two of this Preparing for Retirement series, which talks about Medicare and how it applies to retirement.

Sources:

1. <https://www.ssa.gov/pubs/EN-05-10024.pdf>
 2. <https://www.ssa.gov/apply>
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