

Determining your Social Security Benefit Amount

Social Security benefits are based on a worker's lifetime earnings, whether as an employee or while self-employed. However, not all earnings can impact a worker's benefits. There is a maximum amount of earnings that are counted towards a worker's earnings history. For 2017, that amount is \$127,200, and any earnings over that amount do not affect Social Security benefits. The actual earnings are adjusted to account for changes in average wages since the year the earnings were received. These adjusted earnings amounts are then compared, and the 35 years in which the worker's adjusted earnings were highest are used to calculate the Average Indexed Monthly Earnings (AIME). A formula is then applied to the AIME by the Social Security Administration to arrive at the worker's basic benefit, or Primary Insurance Amount (PIA). This is the amount to be received at Full Retirement Age (FRA).

When can a worker begin receiving benefits?

Once a worker reaches their FRA, they can begin receiving an unreduced Social Security retirement benefit. FRA varies depending on your year of birth, and in general has been gradually increasing as life expectancies have increased. See the table below for Full Retirement Ages.

Year of Birth	Full Retirement Age
1937 or Earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
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 and Later	67

A worker who is fully insured can begin receiving a reduced benefit as early as age 62. If benefits are taken early, the retiree's monthly payment is permanently reduced from the FRA amount. This reduction is equal to 5/9 of 1% per month for the first 36 months in which an early benefit is claimed, and 5/12 of 1% for each additional month beyond that. If a spouse begins receiving benefits before their FRA, the

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A Guide to Understanding Social Security Retirement Benefits, *continued.*

benefit reduction is 25/36 of 1% per month for the first 36 months and 5/12 of 1% for each additional month.

The following table shows the cumulative reduction in benefits by starting at various ages prior to Full Retirement Age (assuming FRA is 67). These reductions would be less for someone with an earlier FRA. The spousal benefit reduction also incorporates the 50% reduction in maximum benefits for a non-working spouse.

Worker Whose FRA is 66		Spouse Whose FRA is 66		Worker Whose FRA is 67		Spouse Whose FRA is 67	
Age	Approximate Reduction in Benefit						
62	25%	62	65%	62	30%	62	67.5%
63	20%	63	62.5%	63	25%	63	65%
64	13.3%	64	58.3%	64	20%	64	62.5%
65	6.7%	65	54.2%	65	13.3%	65	58.3%
66	0%	66	50%	66	6.7%	66	54.2%
67	n/a	67	n/a	67	0%	67	50%

Retirement benefits can also be deferred until age 70. By delaying benefits beyond the FRA, the worker's annual benefit increases by 8% per year (2/3 of 1% per month) over the FRA amount. These increases are also known as delayed retirement credits.

Age	Approximate Increase in Benefits	
	Worker Whose FRA is 66	Worker Whose FRA is 67
67	8%	n/a
68	16%	8%
69	24%	16%
70	32%	24%

In addition to the reduction or increase in benefits due to accelerating or deferring the start date, benefits are also subject to an annual cost of living adjustment.

Maximum Family Benefits

The maximum family benefit is the largest amount that can be paid to a family (worker, spouse, eligible children, and dependent parents) based on one person's earnings record. Typically, a worker and their family are limited to receiving 150-180% of the benefit the worker is currently receiving. If the total benefit payments exceed the family maximum amount, the worker's benefit is not reduced—rather, the other beneficiaries receiving a benefit will have their benefit reduced.

Benefits payable to a divorced spouse or surviving divorced spouse are not subject to the family maximum. In turn, a benefit paid to a divorced spouse or surviving divorced spouse does not cause a reduction in other beneficiary's benefit payments.

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Beneficiaries receiving payments that are to be aggregated when determining the family maximum will have their benefits proportionately reduced so that the total monthly payments fall within the applicable limits.

Individual benefit reduction rates are determined according the following set of rules:

- If the worker on whose earnings record the benefits are based is living, the worker's benefit is subtracted from the family maximum amount. The remaining amount is divided amongst the other individuals entitled to receive benefits based on the worker's earnings history.
- If the worker is deceased and all benefits are paid on the same percentage of PIA, the family maximum is divided equally amongst all entitled beneficiaries.
- If the worker is deceased and all benefits are paid on a different percentage of PIA, the family maximum is paid proportionately based on each beneficiary's original benefit rate.

If a member of the family ceases to be entitled to benefits, the remaining beneficiary's benefit will increase accordingly.

Leaving the United States

If a person receiving retirement benefits is a U.S. citizen, that person can travel or live in most foreign countries without affecting Social Security retirement benefits. There are several countries, however, where Social Security payments cannot be sent. If there is a concern as to whether or not payments can be received in a certain country, the Social Security Administration should be contacted to verify a particular country's status.

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