



Social Security Retirement Benefits

Among its features, the Social Security Retirement Benefits module

- calculates estimated Social Security retirement benefits, with or without future inflation assumptions;
- allows you to input all or any portion of your earnings history, with the ability to project forward or backward using a constant rate of increase or, in the case of backward projections, assuming earnings growth in line with national averages;
- compares the impact of starting benefits at different ages, taking into account the time value of money, and highlighting the results of life expectancy;
- produces a detailed report indicating how calculations were performed, and showing the age comparisons in both graphic and tabular form.

We have done our best to make this system reflect the current status of the appropriate laws and regulations. However, the Social Security Administration will make a final determination of benefits, which may differ from the calculations produced by this system depending on the assumptions used in the calculations.

When to Use This Calculator

The Social Security Calculator can perform an estimate of future benefits, either at the time benefits are about to begin or long beforehand. Perhaps its most beneficial application, though, is to help people who are eligible to begin collecting benefits decide whether they would be better off starting sooner or later.

How to Use This Calculator

After entering name and date of birth at the top of the input screen, go to the next section and select a calculation option. Fill in any fields that are available for input on the top half of the screen. Then select a method for entering or approximating the earnings history and, again, fill in any fields that are available for input. Unless you elect to base all earnings on current compensation, a detail screen will pop up where you can enter data from other years.



RetirementWorks®

When you have finished entering all the required information, use the “Print” menu to print or preview the results.

The screenshot shows the RetirementWorks Social Security Retirement Benefit Calculator interface. The window title is "RetirementWorks®" and the menu bar includes "File", "Print", "Calculations", "Windows", and "Help". The main window title is "Social Security Retirement Benefit Calculator".

Participant data

Name: Date of birth (mm/dd/yyyy):

Calculation information

Select a calculation option

- Specify when benefits start (calculate amount only)
- Compare alternative starting ages (enter age 62 MONTHLY benefit amount, if it is known) \$

AGE, YEAR, or DATE when benefit payments begin/began (use m/d/yyyy format for dates):

Information relating to future values and your life expectancy

Male Non-smoker Female Smoker Unknown

If you have a condition that may lower your life expectancy, enter a number over 100 in the box below right. For Help, click the box and press <F1>.

Assumed annual rate of return: % Health factor: %

Assume future annual BENEFIT increases of %

Select a method for entering or approximating your earnings history

- Input ALL (past) years
- Input SOME (past) years, estimate others
- Base all estimates on current ANNUAL compensation of \$

Projecting BACKWARD to earliest working age

Assume wage increases in line with national averages

Assume annual wage increases of %

Starting AGE or YEAR for earnings:

Projecting FORWARD to latest working age

Assume future annual WAGE increases of %

Ending AGE or YEAR for earnings:

Press <F1> for Help at any time

Version 2.26A expires 09/30/01



Detailed Input Instructions

Name

Enter the benefit recipient's name, as it should appear on the printed report.

Date of birth (mm/dd/yyyy)

Enter the benefit recipient's date of birth in mm/dd/yyyy format.

Select a calculation option

Select a calculation from the two options available:

- **Specify when benefits start (calculate amount only).** Select this option if you know when you want Social Security benefits to begin, and fill in the following field.

AGE, YEAR, or DATE when benefit payments begin/began (use m/d/yyyy format for dates.

Enter an age, year or date (not before age 62) for benefits to start.

- **Age.** Benefits will be assumed to begin effective on the birthday indicated (i.e. with a benefit date the first day of the following month). The minimum age for Social Security benefits is 62.
- **Year.** Enter the 4-digit year (e.g. "2024"). Benefits will be assumed to begin effective on the birthday that occurs that year (i.e. with a benefit date the first day of the following month). The minimum year for Social Security benefits is the year that includes the 62nd birthday.
- **Date.** Enter the full date in m/d/yyyy format. In general, if you indicate the first day of the month, it will be assumed that you are indicating the actual first benefit date. If you enter a later day of a month, it will be assumed that you want benefits to begin the first day of the following month. The earliest date you may enter is the first day of the month in which the 62nd birthday occurs (in which case, benefits will be assumed to begin the first day of the following month).



RetirementWorks®

- **Compare alternative starting ages (enter age 62 MONTHLY benefit amount, if it is known).** Select this option if you want a report illustrating how much the benefit changes depending on when it begins. The report will also analyze the long-term financial impact of beginning benefits at different ages, highlighting the results at life expectancy. The other items needed for this analysis are then entered in the box to the right. You can still have the system calculate the benefit amount if you choose this option, or you can enter the Age 62 benefit amount if you know it.

If you already know the benefit at age 62, and do not need the system to calculate it, enter the amount on an annual basis here (i.e. the monthly benefit times 12). If you do this, the fields on the lower half of the screen will become disabled.

Information relating to future values and your life expectancy

- **Male/Female.** Select the sex of the benefit recipient. The purpose of this field is to estimate life expectancy, so that on the comparison report, the system can highlight the year at which the recipient has a 50% chance of being alive to receive benefits. Different mortality tables are used for males and females, since women tend to live longer, on average.
- **Non-smoker/Smoker/Unknown.** Select the benefit recipient's smoking status. Smoking status should be one's general past practice. If someone has just recently quit after a long period of smoking, enter him or her as a smoker. Different mortality tables are used for smokers vs. non-smokers, since non-smokers tend to live longer.
- **Health factor.** The percentage entered here indicates how much more likely a medically impaired person is to die than a normally healthy person. A normally healthy person has a 100% mortality rating. Someone twice as likely to die in the next year has a 200% mortality rating, someone three times as likely has a 300% mortality rating, and so on. (For people in the insurance business, these last two would be Table D and Table H respectively.)

It is difficult to estimate a mortality percentage. In order to help you, we've listed some common conditions and their corresponding mortality percentages/ratings in the on-line help. Please press the F1 key from the "Health factor" field to access this list.



RetirementWorks®

- **Assumed annual rate of return.** This field enables the time value of money to be taken into account when comparing the impact of waiting longer to start receiving Social Security benefits. The rate you enter represents a "discount rate" (or an interest rate), which indicates how much more you would have to receive a year from now in order to equal in value a dollar received today.

Because the report does, in fact, use this figure as an interest rate (as if Social Security benefits were being accumulated at interest over a long period of time) the input amount is limited to 15%.

If you do not wish to take the time value of money into account, set this value to zero or leave it blank.

Assume future annual BENEFIT increases of _____%

Setting this value to zero, or leaving it blank, indicates that all Social Security calculations are to be based on the current factors and benefit formulas used by the Social Security Administration. Using a value greater than zero indicates that inflation adjustments are to be applied, at the rate entered.

The adjustments that occur are: future annual cost of living adjustments in benefits, increases in the national average wage data used to index the earning history as part of the benefit formula, future increases in the maximum wages that may be used in the benefit formula, increases in the "bend points" used to calculate the benefit, and future increases in the minimum earnings that qualify recipients for a year of coverage under the special minimum PIA formula.

Select a method for entering or approximating your earnings history

The following three options are available in all cases except when the age 62 benefit is entered in the upper section of the screen.

Select from the three earnings history options:

- **Input ALL (past) years.** If you select this option, you must then click the "Earnings History Detail" button to summon the "Social Security Earnings" pop-up screen, where you can enter year-by-year earnings detail. You must enter detail for any prior years. You may also enter data for future years, and/or you can use the "Projecting FORWARD to latest working age" field to project future values after the last earnings amount input.



RetirementWorks®

- **Input SOME (past) years, estimate others.** If you select this option, you must then click the "Earnings History Detail" button to summon the "Social Security Earnings" pop-up screen, where you can enter year-by-year earnings detail for whatever years you choose, past or future. Then you can use the "Projecting BACKWARD to earliest working age" and "Projecting FORWARD to latest working age" fields to estimate values before the first earnings amount input and after the last earnings amount input.
- **Base all estimates on current ANNUAL compensation of \$_____.** If you select this option, you must then fill in the amount of current annual compensation. Then you can use the "Projecting BACKWARD to earliest working age" and "Projecting FORWARD to latest working age" fields to estimate past and future values.

Enter the actual (or expected) annual compensation for the current calendar year (the calendar year during which you are running the program). This is the base amount that will be used to estimate your past and future earnings.

Only wages covered by Social Security should be taken into account in the calculation. If you have any history of non-covered earnings, you should select one of the first two options, then exclude such non-covered earnings while putting together your detailed earnings history.

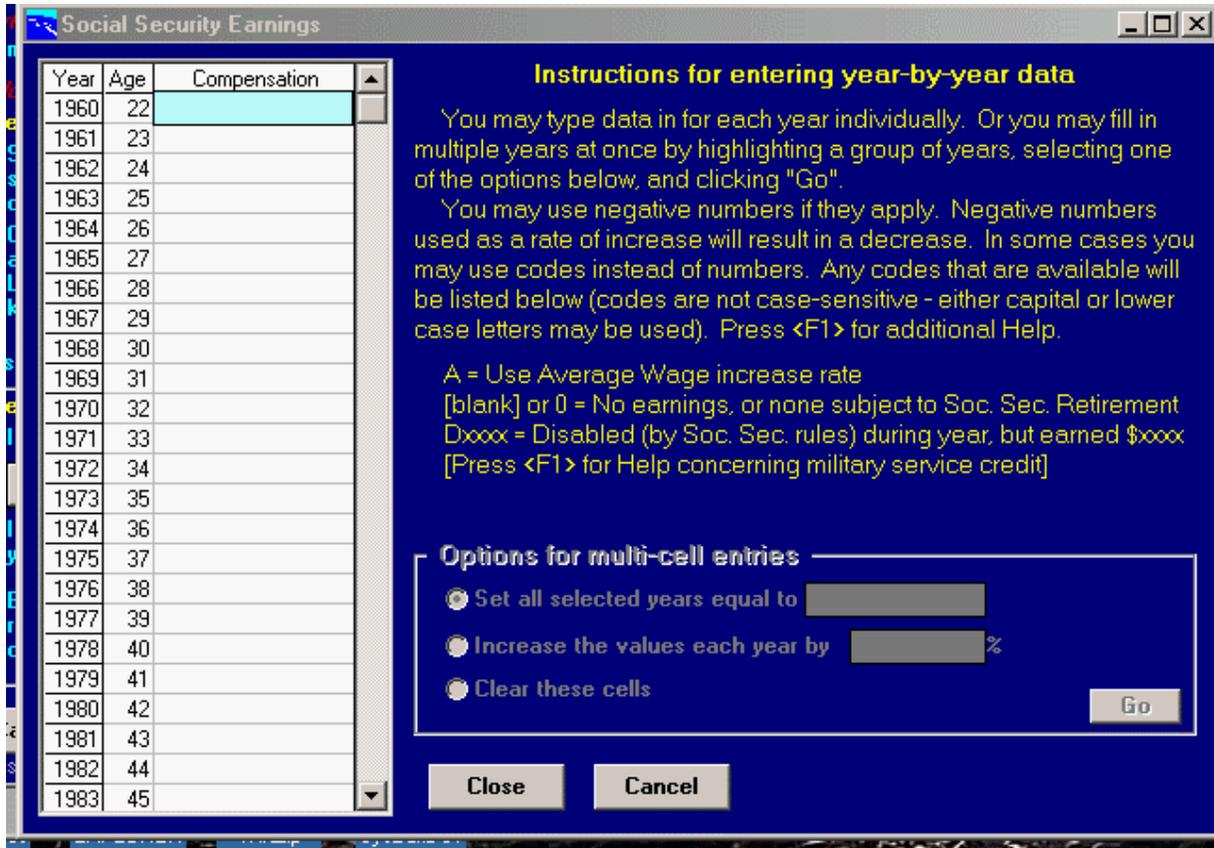
Social Security Earnings

The Social Security Earnings screen appears when you click the "Earnings History Detail" button on the main screen. If you don't know your earnings history, you can obtain a copy from the Social Security Administration.



Retirement Planning Software, Inc.

RetirementWorks®



The main features of this screen are as follows:

- **Columns.** Three columns appear in the earnings grid: the calendar year, the recipient's age, and the earnings amount.
- **Rows.** Earnings prior to age 22 are disregarded under the current Social Security benefit formula. You do not have to enter data in all of the rows, only those in which the recipient had earnings.
- **Entering individual values.** Use your mouse, tab key, or up or down arrow keys to move to the year you want. Generally, you should enter whole dollar amounts (or dollars and cents, if you wish).
- **Entering or clearing multiple values simultaneously.** You may use only your mouse to highlight multiple years, but you cannot start the highlighting with the field that is already highlighted. First click on a year to move the highlighted field, then click and drag your mouse to highlight the



RetirementWorks®

years you want. When multiple fields are highlighted, the "Options for multi-cell entries" section of this screen will become active.

- **Options for multi-cell entries.** When multiple fields are highlighted, as above, this section becomes active. First select the option from the following:
 - **Set all selected years equal to _____.** Enter the value you want to appear in each selected field (this may be a number or a number preceded by "D" – see below).
 - **Increase the values each year by _____.** Enter the positive or negative percentage by which values should change each year, using the last entry *before* the selected fields as the base number.
 - **Go.** Click this button to actually create the changes selected in the first two fields.
 - **Clear these cells.** Click this button to clear all multiple values simultaneously.
- **Earnings.** Earnings include only compensation that is counted toward Social Security benefits. Some earnings from governmental employers, and foreign earnings, are often not counted. As a rule of thumb, if Social Security taxes were deducted from your pay, the earnings were covered by Social Security and should be counted; otherwise, they generally should not be counted. However, if an amount greater than the maximum covered by Social Security was earned, you should still enter the total earnings. The system will adjust as needed to take into account the applicable annual maximums.
- **"D" (Disability) option.** If you were disabled (according to the Social Security definition) for all or part of a year, you may enter a "D" before the earnings, if any, that apply for that year (e.g. "D2000"). If you had no earnings because of disability, enter "D" followed by a zero ("D0"). In calculating your Social Security benefits, years marked with the "D" will be disregarded if including them would lower your benefit (which normally would be the case).
- **Close.** To save your inputs/changes, click on the "Close" button, and you will return to the main screen. If you click the "Cancel" button, or use the "X" at the top right corner of the screen, your changes will be lost.



Projecting BACKWARD to earliest working age

This section is available only when you have NOT specified the "age 62 MONTHLY benefit amount", and have NOT indicated in the the "Earnings History Detail" that you are entering all past earnings.

Select from one of the two available options:

- **Assume wage increases in line with national averages.** If you select this option, all earnings prior to the most recent earnings you entered will be estimated based on actual historical annual changes in the national average wage, as computed by the Social Security Administration.
- **Assume annual wage increases of _____%.** Under this option, all earnings prior to the most recent earnings you entered will be estimated based on the fixed annual percentage increase you indicate. For example, if you enter "5", the earliest earnings you entered will be assumed to be 5% higher than the previous year, which, in turn, will be assumed to be 5% higher than the year before that. If you want to assume a level compensation prior to the last year entered, select this option and enter "0", or leave the percentage blank.

Under either option, prior earnings will be estimated back to the age or year indicated in the "Starting AGE or YEAR for earnings" field below. The oldest earnings entered might have been entered on the "Social Security Earnings" screen if you selected "Input SOME (past) years, estimate others", or they might be the current annual compensation if you selected "Base all estimates on current ANNUAL compensation of \$_____".

Only wages covered by Social Security should be taken into account in the calculation.

Starting AGE or YEAR for earnings

Enter either an age or a four-digit year to indicate how far back earnings should be estimated. Earnings prior to age 22 are disregarded under the current Social Security benefit formula.

If you do not want any prior years to be estimated, there are two ways to indicate this. The most direct way is to choose the "Input ALL (past) years" option and only enter data for the current year. In this case, no prior earnings will be assumed, regardless of one's current age. The other method is to set the "Starting AGE or YEARS for earnings" entry equal to the year or age of the oldest earnings actually entered, even if that is the current year.



Projecting FORWARD to the latest working age

Assume future annual WAGE increases of _____%

This field is used to indicate what percentage, if any, is being used to estimate future annual earnings, after the latest earnings you entered directly.

Use "0" to indicate that the latest entered earnings amount should be used for all applicable future years. This is the assumption that the Social Security Administration and many pension plans make in estimating benefits for people who are still working.

Ending AGE or YEAR for earnings

Enter either an age or a four digit year. This entry is used to indicate how far forward earnings should be estimated.

In calculating benefits, the Social Security Administration generally stops at age 61. However, if the recipient works (or is expected to work) beyond age 61 without starting to collect benefits, earnings past age 61 will be taken into account if doing so will increase the benefit. So you may use this field to indicate earnings past age 61, if necessary.

If you do not want any later years to be estimated, set the "Ending AGE or YEAR for earnings" entry equal to the year or age associated with the most recent earnings actually entered (generally the current year). This would be appropriate if the recipient is retiring but is not yet old enough to receive benefits, or if he or she is being employed in a foreign country or by a US employer that does not participate in Social Security. Only wages covered by Social Security should be taken into account in the calculation.

Calculate

Once you have entered all the required information, you can click the "Calculate" button and the result will appear as a message at the bottom right of the screen.

To print or preview the full report, use the "Print" menu at the top of the screen.