

Social Security

Basic Facts

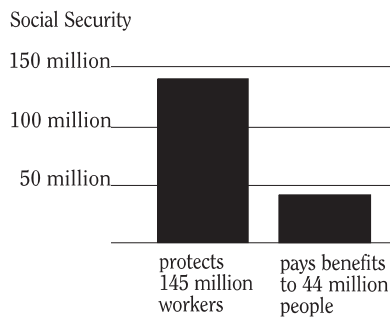


Basic Facts About Social Security

Social Security is part of almost everyone's life. Social Security protects more than 145 million workers and pays benefits to 44 million people.

You and your family are probably protected by Social Security. . . and you probably pay taxes that help make the system work. But you may also be unsure about what Social Security does, who it helps and how much it costs.

This booklet gives you some basic facts about Social Security. . . and tells you how to get more information if you want it.



**Social Security
Is More Than
Retirement. It
Provides Survivors
Protection Worth
\$313,000 To An
Average Family**

The importance of Social Security survivors benefits is often underestimated. Yet younger Americans face roughly a 1-in-5 chance of dying before reaching retirement age.

Survivors benefits, which are paid to a deceased worker's family, can help with financial problems that sometimes follow a worker's death by providing a continuing cash income.

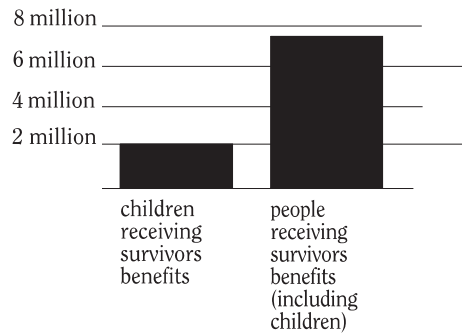
The value of Social Security survivors benefits for a young average wage earner who dies and leaves a spouse and two children is equivalent to a \$313,000 life insurance policy. Of course, Social Security benefits are paid monthly and not in a lump-sum payment.

The average monthly payment for a family consisting of a widow(er) with two children is about \$1,500 per month. Social Security payments increase based on the annual cost-of-living index—something few private insurance plans offer.

Social Security Survivors Benefits

Who, exactly, can get survivors benefits? Children under age 18 can get Social Security survivors benefits, and so can a child who is under age 19 but still in high school. . . or a child who is age 18 or older but who becomes disabled before age 22. A widow(er) who is caring for children under age 16 or disabled may receive benefits. A widow(er) age 60 or older, or a widow(er) age 50 or older who is disabled, may receive benefits.

Today, Social Security pays monthly survivors benefits to 7.2 million Americans, almost 2 million of whom are children.



**Social Security Also
Provides Disability
Protection Worth
Almost \$200,000**

While people usually think of retirement benefits when they think of Social Security, the program also protects a worker who becomes severely disabled.

It's important protection.

Studies show that a 20-year-old worker stands nearly a 3-in-10 chance of becoming disabled before reaching retirement age.

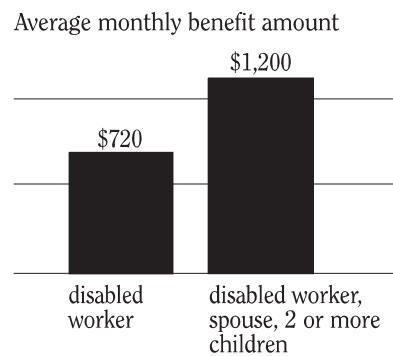
Few workers have private, long-term disability insurance. But nearly all workers do have Social Security disability protection, which is equivalent to a \$198,000 disability policy for an average income earner with a spouse and two children.

Under Social Security, workers are considered disabled if they have a severe physical or mental condition that prevents them from working. The condition must be expected to last for at least 12 months or to result in death. Once benefits begin, they continue for as long as the worker is disabled and can't work. The disabled worker and his or her eligible family members receive checks each month.

Social Security Disability Benefits

More than 4 million disabled workers under 65 and 1.6 million dependents (including more than a million children) receive Social Security. The average monthly payment to a disabled worker is about \$720; for a disabled worker with a spouse and one or more children, the average payment is about \$1,200.

Also, a worker who receives disability payments for two years becomes eligible for Medicare.



Social Security And SSI Are Different Programs

When people talk about disability benefits, there is often confusion about Social Security and SSI (Supplemental Security Income). The confusion arises because the Social Security Administration administers both programs. But the programs are different.

Social Security disability insurance is a program that workers, employers and the self-employed pay for with their Social Security taxes. You qualify for these benefits based on your work history, and the amount of your benefit is based on your earnings.

SSI is a program financed through general tax revenues—not through Social Security trust funds. SSI disability benefits are paid to people who have a disability and who don't own much or have a lot of income.

Social Security

funded through taxes paid by workers, employers and self-employed people

benefits based on earnings

SSI

financed through general tax revenues

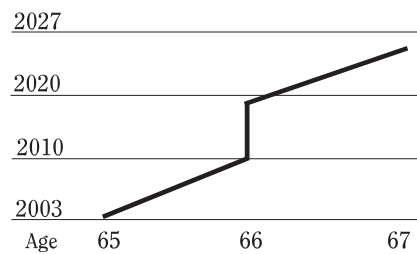
benefits based on need

Almost Every Retiree Gets Social Security Benefits

Social Security pays monthly retirement benefits to more than 30 million retired workers and their family members. More than 9 out of 10 Americans who are age 65 or older get Social Security benefits.



Full retirement benefits are now payable at age 65, with reduced benefits available as early as age 62. The age for full benefits will gradually rise in the next century, until it reaches age 67 in 2027 for people born in 1960 or later. (Reduced benefits will still be available at age 62.)





Social Security Is A Foundation For Building A Comfortable Retirement

A recent national poll found that 3- in 4-workers “worry that they won't have enough money to live comfortably in retirement.” Often the difference between retirees who enjoy retirement and those who struggle is financial planning.

Social Security has always been part of a “three-legged stool” that could solidly support a comfortable retirement. The other two legs of the stool are pension income and savings/investments.

Financial advisers often tell people that, when they quit work, they'll need about 70 percent of preretirement income to live comfortably. By itself, Social Security replaces about 42 percent of an average wage earner's salary.

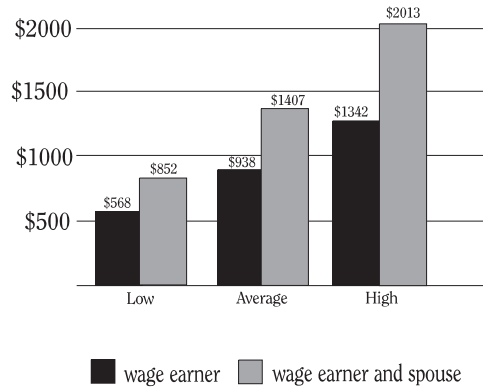
Social Security — A Foundation

Social Security benefit amounts, as of January 1998, are shown below for low, average and high wage earners who retire at age 65:

The benefit amounts above are

Social Security

Monthly retirement benefits



based on steady lifetime earnings from age 22 through the year before retirement (1997). For 1997, these earnings are estimated to be approximately \$12,000 for a low earner; \$27,000 for an average earner; \$65,400 or above for a high earner. Married workers can receive benefits based either on their own work record or their spouse's, whichever is higher.



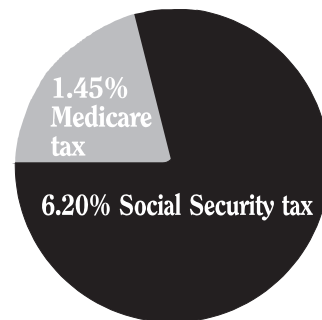
You Can Get An Estimate Of Your Social Security Benefits

You can find out how much you can expect to get from Social Security, based on your own earnings record, by asking for a *Personal Earnings and Benefit Estimate Statement* (PEBES) request form. To order the PEBES request form, you can call the toll-free number—**1-800-772-1213**. Our lines are busiest early in the week and early in the month, so, if your business can wait, it's best to call at other times. You also can call at night, on weekends and on holidays, 365 days a year. Or if you prefer, you can request a PEBES form from our Internet address: www.ssa.gov.

What You Should Know About The Financial Stewardship Of Your Social Security Tax Dollars

Virtually all American workers pay Social Security taxes. If you take a look at your pay stub—the part that shows how much is taken out for various taxes and benefits each pay period—you'll see deductions for Social Security and Medicare. On some pay stubs it's called FICA, which stands for “Federal Insurance Contributions Act,” the law that authorized payroll deductions for Social Security.

The tax rate of 7.65 percent covers both Social Security and Medicare. The Social Security part of the tax is 6.20 percent of gross wages, up to \$68,400 in 1998. The Medicare tax is 1.45 percent of all earnings.



Your Social Security Tax Dollars

Employers match a worker's Social Security tax payment. Self-employed people pay Social Security taxes equal to the combined employee/employer tax, although half of their tax is deductible as a business cost.

Generally, out of every dollar paid in Social Security and Medicare taxes:

- 70 cents goes to a trust fund that pays retirement and survivors benefits;
- 19 cents goes to a trust fund that pays Medicare benefits; and
- 11 cents goes to a trust fund that pays disability benefits.



Your Social Security Tax Dollars

Your Social Security taxes also pay for administering Social Security. The administrative costs are paid from Social Security trust funds and are less than 1 cent of every Social Security tax dollar collected.

The Social Security trust funds now take in more money than they pay out each month—more than \$7 billion per month. These “reserve” funds are then invested in U.S. Treasury bonds, the safest of all possible investments. Those reserves will accumulate, earn interest and be used to help pay for the retirement of the baby boom generation.



Why Social Security?

Over the past six decades, Social Security has become the most successful domestic government program in history.

A basic understanding of why Social Security came about is important to understanding today's Social Security program. . . and also to deciding what Social Security should be in the 21st century.

Its History

Before the industrial revolution, America was mostly a country of small farmers. But we soon became a country where more people worked for wages—and fewer worked the land. This change helped make America strong, and it raised our standard of living. It also created new risks to family security and made it more difficult for families to “take care of their own” in hard times.

Why Social Security?

The Great Depression of the 1930s dramatized the fact that many American workers were financially dependent on factors beyond their own control. The Social Security Act, signed into law by President Franklin Delano Roosevelt in 1935, helped to alleviate this situation.

In the years that followed, Social Security was broadened to include survivors benefits, disability benefits and health care benefits.

Its Philosophy

The Social Security system provides a minimum “floor of protection” for retired workers, and for workers and their families who face a loss of income due to disability or the death of a family wage earner.

Social Security payments are based on two underlying philosophies. First, the system is designed so that there is a clear link between how much a worker pays into the system and how much he or she will get in benefits. Basically, high wage earners get more, low wage earners get less.

Why Social Security?

At the same time, the Social Security benefit formula is weighted in favor of low wage earners, who have fewer resources to save or invest during their working years. Social Security retirement benefits replace approximately 57 percent of the preretirement earnings of a low wage earner, 42 percent of an average wage earner, and 28 percent of a maximum wage earner.

Basically, the Social Security program is a way of providing a base of economic security in today's society. It allows older Americans to live independently and with dignity and relieves their families of the financial burden for their retirement years. And Social Security provides a valuable package of disability and survivors insurance to workers over their working lifetimes.

Its Future

Our Social Security system has been a basic part of American life for more than 60 years. It has changed frequently over the years to meet new needs of workers and of beneficiaries. It will undoubtedly change in the future to meet the needs of 21st century workers and beneficiaries.

More Information

If you would like more information about the Social Security programs, you can order any of the following publications by calling our toll-free number—**1-800-772-1213**. You can order some of these publications at night, on weekends and on holidays, 365 days a year. Most are available at our Internet address:
[http:// www.ssa.gov](http://www.ssa.gov)

- *Social Security—
Understanding The Benefits*
(Publication No. 05-10024)
- *Social Security—
Retirement Benefits*
(Publication No. 05-10035)
- *Social Security—
Survivors Benefits*
(Publication No. 05-10084)
- *Social Security—
Disability Benefits*
(Publication No. 05-10029)
- *Medicare*
(Publication No. 05-10043)
- *Social Security—
Your Taxes. . . What
They're Paying For. . .
Where The Money Goes*
(Publication No. 05-10010)
- *Social Security—Your Number*
(Publication No. 05-10002)

People who are deaf or hard of hearing may call our toll-free “TTY” number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.



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