

# What You Can Expect from Social Security

A Look at Your Personalized Statement



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# Social Security Statement

As part of an effort to educate Americans about their Social Security benefits, the Social Security Administration (SSA) sends an annual personalized statement of projected retirement benefits to every working individual over the age of 25.

The SSA initiated the personalized statement to help you better understand how your projected Social Security benefits will fit into your overall retirement income picture. Your statement can be a powerful tool to help you get started on a long-term financial plan for retirement—or to evaluate your existing plan.

This OppenheimerFunds guide can help you interpret your statement and better understand its implications for your future.



## Social Security Fast Facts<sup>1</sup>

- Long before the Social Security program was ever formed, the federal government provided pensions to disabled veterans of the Revolutionary War
- Social Security as we know it today was created by President Franklin D. Roosevelt in 1935
- No Social Security numbers are ever reused
- The retirement age of 65 was chosen randomly based on prevailing retirement standards in 1935
- In 1940, Ida May Fuller of Vermont received the first monthly Social Security check. She contributed a total of \$24.75 over three years to the program, lived to age 100 and received \$22,888 in benefits
- Percentage of Americans age 65 or older:  
1946—8% or 11 million people  
1999—13% or 35 million people  
2030—20% or 70 million people
- Today, 3.3 workers support each retiree receiving benefits. But by 2030, only two workers will bear the same burden
- More than \$8.9 trillion has been paid out by Social Security

## Your Personalized Annual Social Security Statement:

# How It Can Help You Plan Your Retirement

## Social Security Is Only One Part of a Successful Retirement

Each year, your statement arrives by mail approximately three months before your birthday. Your statement includes general information about the Social Security program, as well as:

- Your projected monthly Social Security benefits at various retirement ages: 62, 67 and 70
- Survivor benefits available to your heirs
- Your historical earnings record
- A brief overview of other benefits such as unemployment, Medicare and Medicaid

Financial experts estimate that you will need to generate 70% to 80% of your current annual income to live comfortably in retirement. By sending you this annual statement, the Social Security Administration is encouraging you to look more closely at which portion of your income your retirement benefits will replace. It's also important to remember that Social Security benefits are intended only to supplement other sources of retirement income, leaving you in charge of your long-term financial destiny. So, while your Social Security statement will outline your projected benefits, it's also likely to alert you to a possible income shortfall after retirement. Remember that your benefits may also be affected by the ongoing increase in the "retirement age," that is, the age at which you can receive full benefits. In fact, currently, if you begin collecting benefits when you are first eligible at age 62, instead of waiting until you reach full retirement, you are entitled to only 80% of your full benefits (see retirement chart on opposite page).

### Average monthly benefit<sup>2</sup>

for someone retiring in 2007, based on a typical retiree who has paid into the Social Security system over his or her entire career:

Age 62	\$1,035
Age 65	\$1,386

### Maximum monthly benefit<sup>2</sup>

for someone retiring in 2007, based on a typical retiree who has paid into the Social Security system over his or her entire career:

Age 62	\$1,598
Age 65	\$1,998

1. Source of data: Social Security Administration, [www.ssa.gov/history](http://www.ssa.gov/history).

2. Source of chart data: Social Security Administration, 2007, Benefit examples for workers with average earnings; Benefit examples for workers with maximum earnings.

EXAMPLE

Your Estimated Benefits

\***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits...  
 At age 62, your payment would be about ..... \$ 975 a month  
 If you continue working until...  
 your full retirement age (67 years), your payment would be about ..... \$ 1,412 a month  
 age 70, your payment would be about ..... \$ 1,761 a month

\***Disability** You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about ..... \$ 1,293 a month

\***Family** If you get retirement or disability benefits, your spouse and children also may qualify for benefits.

\***Survivors** You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:  
 Your child ..... \$ 1,008 a month  
 Your spouse who is caring for your child ..... \$ 1,008 a month  
 Your spouse, if benefits start at full retirement age ..... \$ 1,344 a month  
 Total family benefits cannot be more than ..... \$ 2,473 a month  
 Your spouse or minor child may be eligible for a special one-time death benefit of \$255.

**Medicare** You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

\* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2040, the payroll taxes collected will be enough to pay only about 74 percent of scheduled benefits.

We based your benefit estimates on these facts:  
 Your date of birth ..... April 5, 1966  
 Your estimated taxable earnings per year after 2006 ..... \$38,626  
 Your Social Security number (only the last four digits are shown to help prevent identity theft) ..... XXX-XX-1234

How Your Benefits Are Estimated

To qualify for benefits, you earn "credits" through your work — up to four each year. This year, for example, you earn one credit for each \$1,000 of wages or self-employment income. When you've earned \$4,000, you've earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven't earned enough yet to qualify for any type of benefit, we can't give you a benefit estimate now. If you continue to work, we'll give you an estimate when you do qualify.

**What we assumed** — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2007 and later (up to retirement age), we assumed you'll continue to work and make about the same as you did in 2005 or 2006. We also included credits we assumed you earned last year and this year.

Generally, estimates for older workers are more accurate than those for younger workers because they're based on a longer earnings history with fewer uncertainties such as earnings fluctuations and future law changes.

These estimates are in today's dollars. After you start receiving benefits, they will be adjusted for cost-of-living increases.

We can't provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

- (1) Your earnings may increase or decrease in the future.
- (2) Your estimated benefits are based on current law. The law governing benefit amounts may change.

(3) Your benefit amount may be affected by **military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.** Following are two specific instances. You can also visit [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement) to see whether your Social Security benefit amount will be affected.

**Windfall Elimination Provision (WEP)** — In the future, if you receive a pension from employment in which you do not pay Social Security taxes, such as some federal, state or local government work, some nonprofit organizations or foreign employment, and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at [www.socialsecurity.gov/WEP](http://www.socialsecurity.gov/WEP).

**Government Pension Offset (GPO)** — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse's record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at [www.socialsecurity.gov/GPO](http://www.socialsecurity.gov/GPO).

# Your Statement Up Close

An Example of a Personalized Statement<sup>1</sup>

## Benefits at Age 62

This section shows your estimated monthly benefits beginning at age 62, the earliest age at which you'd be eligible for Social Security benefits.

## Benefits at Full Retirement Age

This section shows your estimated monthly benefits if you wait to retire until you reach your full retirement age. Note that this amount is higher than the amount you would be entitled to at age 62.

## Earnings Record

This section captures your estimated average annual earnings over your entire working history. Be sure to check it closely for accuracy.

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



# Full Retirement Age for Social Security Benefits<sup>1</sup>

The chart at the left shows full retirement ages, which are based on your birth year. As you can see, the age at which you can receive full benefits is gradually increasing for all Americans and will have the greatest impact on those born after 1943.

1. Source of chart data: Social Security Administration, [www.ssa.gov/mystatement/currentstatement](http://www.ssa.gov/mystatement/currentstatement).

# Using the Statement to Your Advantage

With your Social Security statement in hand, you have a logical starting point for your long-term financial planning. You can use the estimated benefits to calculate the additional annual income that will be needed to make up any shortfall during retirement. If you already have a financial plan, the statement can serve as a “reality check” to see whether your plan is sound or needs some modification.

If your estimate of benefits indicates a shortfall, there is a wide range of investment plans available to help you accumulate the necessary assets. Many of these plans offer significant tax advantages, such as pretax contributions and/or tax-deferred growth of earnings. Consult your financial advisor to determine which plan(s) may be best in your personal circumstance.

## Your Financial Advisor

Your Social Security statement can help you get started on a financial plan, but there's no need to go it alone. Your financial advisor can help you make sense of all the information on your statement, integrate it with your other financial data to evaluate your current savings strategy, propose any necessary changes to it, or start a new one. Note that financial advisors typically charge a fee for their services.

Here are some key questions you should plan to ask your advisor:

- How much income will I need every year in retirement?
- If I have only limited dollars to save currently, which investment vehicles should I focus on now?
- What automatic investment programs are available to help me save?
- What kinds of investment products are right for my long-term savings?



### Did You Know?

Since 2003 the age at which you will be eligible to receive full Social Security retirement benefits has been increasing gradually from 65 to 67. That means your personal savings will likely represent an even more important component of your retirement income.

### Key Resources

- **Social Security Administration**

Toll-free number: 1.800.772.1213

Website: [www.ssa.gov](http://www.ssa.gov)

- **OppenheimerFunds**

If you would like help locating a financial advisor: 1.800.525.7048 or visit us online at [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com)

## NEXT STEPS

- Keep an eye out for your statement in the mail, or request a statement right away from the SSA by phone or online
- Gather as much of your financial information and as many statements as possible
- Contact your financial advisor—if you don't have a financial advisor, you can contact OppenheimerFunds at 1.800.525.7048, and we will be happy to assist you in finding one
- Meet with your advisor to begin mapping out your personalized plan

**Get  
Started**

**Call your financial advisor**

**Visit [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com)**

**Call us, 1.800.525.7048**

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