

What You May Not Know About Social Security and Medicare

Know When You Qualify

Many people may be aware that the age at which you will qualify for full Social Security retirement benefits has been creeping up from the traditional 65. Those born between 1943 and 1954 must be age 66 to qualify and those born in 1960 or later must be 67, with incremental increases for years in between. So, right off the bat, it's important to know exactly when you'll qualify for full benefits. (Find more details on the Social Security Administration site.)

Consider Your Credits

Not all workers automatically receive Social Security benefits when they reach full retirement age. When Social Security taxes are deducted from your pay, you receive credits that add up over time to

qualify you for benefits. Those born in 1929 or later need a minimum of 40 credits and 10 years of work to qualify. If you stop and start working at different times in your life, your credits will continue to accumulate. In addition, the higher your earnings over time, the greater the benefit you will receive (until you reach the benefit maximum). As a result, if you stopped working for long periods or if your earnings were relatively low at various points in your career, it may be in your interest to work longer—either full or part time—in order to pump up your total lifetime earnings.

Make Informed Decisions about Your Retirement Date

Once you confirm when you qualify for benefits, you should give some thought to

whether that's actually the best time for you to begin receiving them. You may know that you can begin taking Social Security retirement benefits as early as age 62, but they will be lower than the full benefit you'll receive if you keep working to full retirement age. At the same time, you will receive a higher benefit if you continue working at least until age 70. As an example on the Social Security Administration site illustrates, the differences in what you receive can be significant. Imagine that you qualify to receive \$1,000 a month if you retire at full retirement age at 66. If you retire at age 62 instead, there will be a permanent reduction in your benefit to \$750 a month. If you delay retirement until age 70, on the other hand, you're monthly benefit

will jump to \$1,320. That means you may need to do some thinking about the advantages and disadvantages of taking a smaller amount sooner or holding out for more later.

Sign up for Medicare by 65

No matter when you start receiving Social Security benefits, it's important to sign up for Medicare three months before you turn 65, even if you plan to keep working. If you do not, you may face delays in or higher costs for coverage. More information is available on the Social Security site.

Dollars & Sense is a regular column on personal finance cooperation with the Oregon Society of CPAs, www.orecpa.org.

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