

# Social Security Highlights

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## What Is My PIA and How Do I Find It? And other abbreviations we should know . . . .

For the record, experts use a lot of jargon when they talk about social security. Here is a quick guide to the most important terms. There are three that everyone needs to know: **PIA**, **FRA**, and **DRCs**.

### The Top Three Primary Insurance Amount and Full Retirement Age

The **PIA** (Primary Insurance Amount) is the worker's full regular retirement benefit at his/her **FRA** (Full Retirement Age). The maximum amount for a worker reaching FRA this year is \$2,642 per month. For a worker born between 1943 and 1954, the FRA is age 66.

### Delayed Retirement Credits

**DRCs** (Delayed Retirement Credits) are the special benefit enhancements you get when you defer your retirement past FRA. If your FRA is age 66 and you wait until you're 70, you'll get four years of enhancements at 8 percent per year, or 32 percent more.

To qualify for a social security retirement benefit, the worker must have at least 10 years of social security coverage.

The benefit formula starts by averaging the worker's highest 35 years of social security earnings (zero earnings for years less than 35). There is an annual wage indexing factor, which in effect increases past earnings to correlate to current earnings.

The result is what's known as the **AIME** (Average Indexed Monthly Earnings), which is basically the average of the indexed earnings over the worker's lifetime.

### Average Indexed Monthly Earnings

The AIME is factored into a government formula to calculate the PIA. The AIME is converted to a PIA using a three-tiered calculation. This calculation provides a higher percentage payout for the lower tiers. In essence, this means that workers with lower earnings will receive a higher percentage payout on their social security.

The PIA calculation below is for a worker with an AIME of \$5,937 and an FRA of age 66.

The only way for the PIA to increase is when either the AIME goes up or by COLAs (Cost of Living Adjustments), which start at age 62.

### Decrypting the Social Security Statement

In addition to showing the projected PIA, the worker's social security statement illustrates his/her projected retirement benefits at age 62 (the earliest retirement age, which produces a reduced retirement benefit), and at age 70, which includes DRCs of 8 percent per year.

The statement assumes the earnings for the current year will continue in future years. It also illustrates the worker's past social security earnings along with disability and family benefits.

The Social Security Administration mails an annual statement to workers age 60 and older who were not already receiving benefits. They are scheduled to go out three months prior to the worker's birthday.

The annual statement is also available online at [www.socialsecurity.gov/mystatement](http://www.socialsecurity.gov/mystatement).

PIA Calculation		
First Tier Calculation	90% of \$816	= \$ 735
Second Tier	32% x \$4,101 (\$4,917 - \$816)	= 1,312
Third Tier	15% x \$1,020 (\$5,937 - \$4,917)	= 153
<b>PIA</b> .....		<b>\$2,200</b>

## The Kugler System

As you can see, the social security benefit calculation is not a simple one, nor is calculating the optimum date to begin benefits.

The Kugler Social Security program can help you help your clients determine the optimum date by going through various scenarios. Illustrating these options can help you build credibility with your clients while serving their needs. People do business with people they know, like and trust. This is another tool from Security Mutual to help you build that relationship.

Look for our next article in the next *SML NewsLine*: “The Kugler Social Security System Is More Than Software.” This article will cover the complete Kugler Social Security marketing package and support materials.

Contact Bill Rainaldi with your social security questions at 973-716-7533. If you are interested in obtaining the software at the Security Mutual discount price, contact Sheryl Evans at 607-338-7535.

This series of articles is available in Librarian, as well as in the *SML Newsline* archive (<http://www.smlny.com/digest/newsline/archive/archive.html>).



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