

# Educated Investor

## Increasing Your Income at Retirement

*How postponing Social Security can help*

People are living longer—that’s no secret. In fact, some people are spending 30 years or more in retirement these days. That’s a long time—and as a result, many individuals are becoming more and more concerned about outliving their retirement savings.

So, what can you do to help avoid this problem? For starters, consider postponing your Social Security benefits. Added financial benefits based on your year of birth are tacked on for every year you postpone benefits starting from normal retirement age up to age 70 (see chart on right for details).

### Increases for Delayed Benefits

Year of Birth	Yearly Rate of Increase
1917-1924	3%
1925-1926	3.5%
1927-1928	4%
1929-1930	4.5%
1931-1932	5%
1933-1934	5.5%
1935-1936	6%
1937-1938	6.5%
1939-1940	7%
1941-1942	7.5%
1943 or later	8%

Source: Social Security Administration  
Persons born on January 1 of any year should refer to the credit percentage for the previous year.

### Age for Full Benefits

Year of Birth	Normal 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

\*If you were born on January 1st of any year you should refer to the previous year.

However, if you start collecting benefits before your normal retirement age, you will experience a reduction in your benefits. Here's how it works: If your normal retirement age is 67, the reduction for starting your retirement benefits at 62 is about 30 percent. The reduction for starting benefits at age 63 is about 25 percent; 64 is about 20 percent; 65 is about 13.3 percent; and 66 is about 6.7 percent. Normal retirement age varies based on your year of birth. See chart on left to determine your normal retirement age.

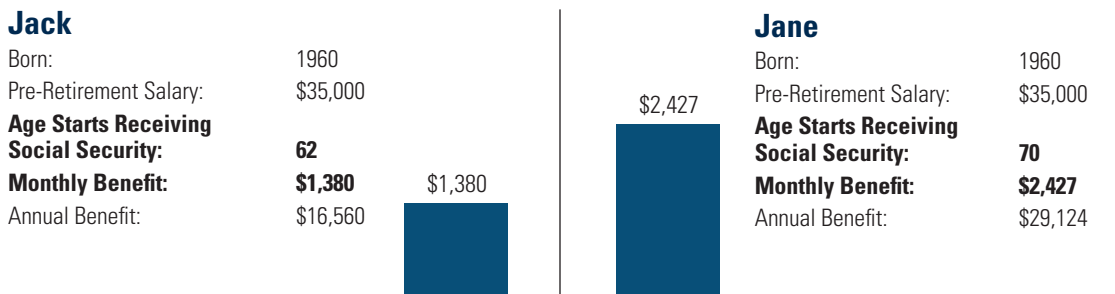
Take a look at how just a few years of postponing Social Security benefits can potentially double your monthly income:

### Jack

Born: 1960  
Pre-Retirement Salary: \$35,000  
**Age Starts Receiving Social Security: 62**  
**Monthly Benefit: \$1,380**  
Annual Benefit: \$16,560

### Jane

Born: 1960  
Pre-Retirement Salary: \$35,000  
**Age Starts Receiving Social Security: 70**  
**Monthly Benefit: \$2,427**  
Annual Benefit: \$29,124



*That's a \$1,047 difference per month or a \$12,564 difference annually!*

Source: Social Security Online Calculator, www.ssa.gov.

Salary has not been adjusted for potential increases or inflation. Start date for Social Security benefits was 1980.

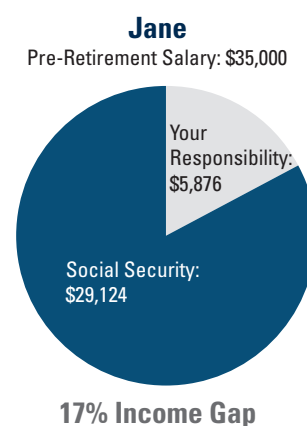
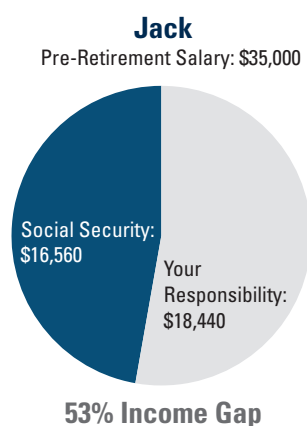
For more information about your Social Security benefits, visit the Social Security Administration Web site ([www.ssa.gov](http://www.ssa.gov)) for publications and online resources to help you understand your Social Security benefits, how to apply for benefits, and the history of the Social Security program. You can also apply for benefits online.

And if you're concerned that postponing Social Security benefits will prevent you from being eligible for Medicare benefits, not to worry—once you turn 65, you're eligible for Medicare, even if you're not receiving Social Security benefits.

Consider postponing Social Security income—it may be one of those few times where procrastination really does pay. Postponing Social Security income may not be right for everyone. Speak to your investment professional to determine the timing that's best for you.

### Filling the Income Gap

While retirement income can be enhanced by postponing Social Security benefits, you may still experience a gap between your Social Security annual benefits and your salary before retirement.



Source: [www.ssa.gov](http://www.ssa.gov) (as of 3/1/10)

To help build your retirement income and eliminate this gap, you may want to consider investing in variable annuities in your 401(k) or through an IRA account—to help ensure you receive the income you need to live out your retirement goals.

Tax laws are complex and subject to change. You should always check with your tax or legal advisor before engaging in any transaction involving IRAs or other tax-advantaged investments.

**For more information, please contact your investment professional.**

**Want to learn more about retirement and family benefits?** Access the “Social Security Retirement Benefits” brochure at [www.ssa.gov/pubs/10035.html](http://www.ssa.gov/pubs/10035.html) or call 1-800-772-1213 to obtain a copy (*Reference Publication #05-10035*).

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